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ON

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ROYAL COMMISSION ON TRANSPORTATION

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ROYAL COMMISSION ON TRANSPORTATION

ST. JOHN'S, NEWFOUNDLAND,
THURSDAY, SEPTEMBER 29th,
1949.

THE HONOURABLE W.F.A.TURGEON, K.C.,LL.D. - CHAIRMAN
HAROLD ADAMS INNIS - - - - - COMMISSIONER
HENRY FORBES ANGUS - - - - - COMMISSIONER

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst. Secretary.

APPEARANCES:

F. M. Covert, K.C. }
Gaston Desmarais, K.C. } Counsel to the Commission.

A. K. Dysart, K.C.) Counsel for the Canadian
Graham Macdougall) National Railways.

A. W. Izzard Appeared on behalf of the
 Canadian Pacific Railway.

P. J. Lewis, K.C. Counsel for the Province of
 Newfoundland.

St. John's, Newfoundland,

Thursday, September 29, 1949

MORNING SESSION

---The Commission met at 10.30 a.m.

MR. DESMARAIS: The first submission this morning, Mr. Chairman, is that of Eastern Provincial Airways Limited, and the witness is Captain Blackwood.

CAPT. E. W. BLACKWOOD, called

EXAMINED BY MR. DESMARAIS

MR. DESMARAIS: Q. Captain Blackwood, what are your initials?

A. E. W

Q. You represent Eastern Provincial Airways Limited.

A. Yes.

Q. What is your position with that company?

A. Managing Director.

Q. What is the date of incorporation of this company?

A. The present company was incorporated in March of this year, 1949.

Q. Is this the successor to a previous company?

A. Yes, the old company was incorporated in December, 1945.

Q. When did you begin operations?

A. In the spring of 1946.

Q. Is this entirely a private commercial enterprise?

A. Yes, entirely a private commercial enterprise.

Q. And it is locally owned.

A. Yes.

Q. Will you describe briefly what are the present operations of the company?

A. Briefly, the present operations are entirely chartered, an entirely charter organization. Most of the work comes from the government, the provincial government and the federal government, individual companies around the island, special mercy flights for the Department of Public Health, and various minor charters from individuals.

MR. DESMARAIS: I would say, Mr. Chairman, that the brief will be taken as read into the record.

BRIEF OF EASTERN PROVINCIAL AIRWAYS LTD

In submitting this brief it is my desire to deal directly with air transportation, but I must of necessity refer occasionally to surface means of transportation in order to emphasize the great importance of air transportation to the province of Newfoundland.

There are three important factors which show quite clearly the great importance and crying need of the aircraft as a means of transportation.

Factor No. 1: The Coastal Boat Service. Due to climatic conditions a surface means of transportation by water can only be operated for six months of the year to 75 per cent of the coastal areas of Newfoundland and Labrador. In view of this, no matter how such a service

is improved, it cannot solve entirely the transportation problem, especially in the coastal areas mentioned.

Factor No. 2: Roads. In most provinces roads offer a very efficient means of transportation. In Newfoundland they are either impossible or impracticable. Even a network of roads, which would take years to build, could only be utilized for six months of the year.

Factor No. 3: Railways. In the course of time many railways could be built, which would solve the transportation problem to a large part of Newfoundland, but there would still be a large portion where it would be impossible to construct railways.

These three factors alone indicate that a resort to a means of transportation, other than by surface means, is necessary to assure the unfortunate people of Newfoundland and Labrador an adequate means of transportation. Air transportation is the answer and should be given every support.

It must be recognized that a seaplane and skiplane operation presents great disadvantages in comparison with land based aircraft flying from prepared ground. Yet, since Newfoundland terrain offers limited possibilities for the construction of landing fields, especially in the more remote and isolated parts, which for six months of the year cannot be penetrated by any type of surface transportation other than dog team, therefore any disadvantages which will be experienced from a bush type of operation must be, and can be, overcome if a successful service is to be given to those areas in need of improved transportation. On the other

hand, plans should be made immediately with the view of building landing fields when it is practicable to do so.

Unlike any other province throughout Canada, Newfoundland frequently experiences a wide variation in weather conditions and temperature. Therefore, it is advisable for sea and ski plane operations to avoid connecting places of more than 150 miles apart regularly by the use of these types of aircraft.

It would be considered economically unsound for any commercial operator to base aircraft at one point in Newfoundland and expect to give an efficient and desirable means of transportation. Aircraft should be located at strategic points throughout the island, so as to serve and confine these aircraft to places and areas which experience nearly the same weather conditions throughout the year. These points should be connected by means of aircraft on a regular route basis, using airports or landing strips which already exist, and having in view the use of supplementary landing fields once they are constructed.

It is suggested that the island should be zoned in such a way that more or less constant weather and temperatures are obtained. Also, it is suggested that the particular zones be served from a suitable locality, which would enable connections to be made by a regular route plane. Also, so located that use of the railway could be made as an alternative and efficient means of connecting the established zones where railways exist.

These bases should be located with a view to establishing routes for the carrying of mail by air to the

areas within the zones which do not at present have an efficient mail service, especially during the winter season. Therefore, the location of those bases should be such as to enable the Postal Department to use them as originating points for mail.

At present the connecting of the zones by air through the means of a regular service can only be met in a limited degree, due to the fact that landing strips do not exist in all of the zones.

It is, therefore, recommended that steps be taken to look into the possibilities of landing fields on the Burin Peninsula, on the southwest coast, around the Corner Brook area, Grand Falls and Bonavista.

In choosing the types of aircraft suitable for a sea and ski plane operation, it will be necessary to depend upon the zone in which they are going to be used and the type of work which they would be called upon to perform. There is a great demand from the public of Newfoundland for a small type of aircraft, which would offer aerial transportation under a charter basis within their means. Then there is the call for a larger type of aircraft such as the Norseman for carrying mails, survey parties, forest fire patrols and other types of contract work. During the winter season there is a great demand by the Department of Public Health and Welfare for aircraft in air ambulance service.

There are sections of the island which at certain seasons of the year are impossible to be served by means of airplane, and it is recommended that the helicopter could be of great benefit in giving service to those

parts which are deprived of the opportunity of using aircraft due to climatic conditions.

The need for helicopters is very apparent in special emergency cases, such as often happen, and will continue to happen, in the spring of the year, when parties become adrift on the ice-floes or in small boats while seal hunting.

The helicopter could also perform mercy flights during the in-between seasons when it is impossible to use the conventional types of aircraft in the majority of places in Newfoundland.

The need for a local domestic air transportation service becomes more and more apparent every day.

The internal air organization should be so set up that it will have a regular cross-country route connecting the largest centers and working in conjunction with Canada's coast to coast service, that is Trans-Canada Air Lines. It should have feeder lines and shuttle charter services connecting the coastal areas with the east to west local regular service. It should have equipment ready on all occasions to carry out all government work, and have special aircraft equipped for ambulance work.

The basic cost of such an operation is extremely high, because, for the most part, the types of aircraft used produce low revenue flying hours. Therefore, such an operation, so necessary to public welfare, must of necessity be helped by both federal and provincial governments in the form of subsidies and minimum guarantees.

The crying need for increased transportation

facilities, and the adoption of air transport on the northern coast of Newfoundland, is amplified by the realization that passengers have to travel under conditions which can be classed as barely human. For instance, a government boat equipped with six berths to carry one hundred and fifty passengers, sleeping on tables and the floor. Women with babies lying in the wheel house can only be considered barbarous. During the winter even this type of transportation is impossible, and people have to be drawn by dog team many miles over rough, isolated country to obtain hospitalization.

Let us consider the Twillingate area. There are approximately 40,000 people depending upon one hospital, from which they are cut off almost entirely for six months of the year, and it is more than one can realize that almost all of these places have no doctor, nor even a nurse.

The main object in making the following recommendations is to provide a means of public transportation and efficient mail service to the localities which are most isolated, and under the most extreme disadvantages at the present time.

RECOMMENDATIONS

ZONING: The island of Newfoundland to be divided into five zones, with a base conveniently located from which aircraft could operate to serve that particular zone.

(a) Zone No. 1 covers the Avalon Peninsula, the south shores of Trinity Bay as far as Port Union, and the eastern and northern shores of Placentia Bay as far west as Swift Current. The base for this zone would be

located at Torbay. Because of the existing facilities in this zone, it is not necessary to have more than one aircraft allotted for transportation here. It is recommended that one amphibian of the Seabee class be used, in conjunction with a small ski plane during the winter season. This base to be the headquarters of the company and the originating point of the regular cross-country route. All aircraft at this base will be amphibians or land planes, except during the winter season when a ski plane will be used. Float aircraft will not be based here, due to the fact that there is no convenient pond from which seaplanes could operate efficiently, except for Bay Bulls Big Pond, which would entail a tremendous expenditure for the setting up of a seaplane base at this point; an expenditure which could not be justified in view of the slight demand for air transport service in this immediate zone.

(b) Zone No. 2. Bonavista Bay and Green Bay area, as far west as Badger and as far south as Zone 1. This zone to be served by Base No. 2 at Gander. The company proposes to base two Stinson aircraft here, equipped with floats for the summer season, skis for the winter season. The planes are to be based on Deadman's Pond, southeast of Gander Airport. Already the company has gassing facilities, a dock, ramp and offices on this lake. The lake is not big enough for float operations at present, because only a small portion of it can be used, due to the fact that there is ^{not} sufficient water for aircraft to taxi out into the larger section of the pond, where there is ample space. The company plans to blast a

taxis way between the two sections of the lake. Charter service will be available to the public of Bonavista Bay and Green Bay from this base. Gander Airport would be used as the terminal for the regular cross-country route. Office facilities will be obtained at the airport to take care of traffic in connection with this service.

Zone No. 3. The west coast, St. Barbe and White Bay areas, as far north as Canada Bay and St. John Bay, and as far south as St. George's Bay, joining zone 2 on the east at Millertown Junction (Joe Glodes Pond). Base No. 3 would serve this zone. Norseman aircraft would be based here, on floats during the summer season and skis during the winter season. For the purpose of carrying out of mail services to the Northern Peninsula and Labrador additional aircraft will be based here. A wharf with gassing facilities is already set up at Zone No. 3. The company also proposes to build a hangar and ramp.

Zone No. 4. This will take in the northern tip of the Northern Peninsula and Labrador. Base No. 4 at Roddickton would serve this zone, using one Stinson aircraft. A hangar, ramp and wharf will also be built at this base.

Zone No. 5. This is a proposed zone and will divide the southern part of Zone No. 3 and the western part of Zone No. 1. The base for this zone will be established at the Fortune and Grand Bank area. This will be accomplished as soon as an airstrip is completed in these areas. An amphibian aircraft will be based at this point; as all the ports in this zone are free from ice twelve months of the year, an amphibian would be the most suitable type of aircraft. Without the use of

landing strips in this area the inauguration of an efficient mail service by air is impossible, and it is therefore recommended that the possible delivery of first class mail by the drop and pick up system be investigated.

REGULAR ROUTE SERVICE: A mainline route No. 1 to operate daily between Torbay, Gander and Buchans, with the view of extending into Stephenville, if permission could be obtained. This line would link up Zones Nos. 1, 2 and 3. It is suggested that air strips be built at Bonavista, Grand Falls and Corner Brook. This would enable the company to extend the mainline Route No. 1 to include these areas. Also if landing strips are built on Burin Peninsula and near the Burgeo area, a second mainline route No. 2 could be inaugurated to include Torbay, Argentia, Fortune (Grand Bank) and Burgeo.

In making the above recommendations for a cross-country line, it is not intended to interfere or compete with the TCA route between Torbay and Gander, but it is recommended that the local provincial service should work in conjunction with TCA. That is, to feed TCA at Gander from the coastal areas in that vicinity; to fly passengers between Gander and Buchans and between St. John's and Buchans, leaving TCA to carry the traffic between Torbay and Gander. If a strip was constructed at Bonavista, the local service would carry passengers between Torbay and Bonavista and between Bonavista and Gander, leaving TCA to carry all traffic bound for Gander from Torbay, and making connections at Gander with the local feeder line.

FEEDER LINE AND AIR MAIL SERVICES: In view of the government's desire to have mails carried by air to the Northern Peninsula and Labrador, a weekly mail and passenger service should be inaugurated to this area. The service to be divided into three routes: two routes originating from Millertown Junction and one route originating from St. Anthony.

Route No. 3: Millertown Junction, Springdale, Burlington, La Scie and Baie Verte.

Route No. 4: Millertown Junction, Sop's Arm, Engles, Roddickton, Hare Bay, St. Anthony, Flower's Cove, Brig Bay, Port Saunders, Daniels Harbour and Parsons Pond.

Mails for Route No. 5 to Labrador to be carried as far as St. Anthony on every flight, and sorted there for carrying to the coast of Labrador once or twice a month, depending on the quantity of mail.

Mail for points not included in the feeder line service will be taken from various points along the route by a small aircraft operating a shuttle route; that is mails from Conche, Hooping Hr., Williamsport and Hr. Deep will be deposited at Roddickton and distributed from there with the Stinson. Mail for Griquet, Cooks Harbour and Raleigh to be deposited at St. Anthony and distributed to these areas from there. It is also suggested that mails be carried by air to Twillingate and Fogo. A route will originate from Gander to serve these areas.

GAS DEPOTS AND GASSING FACILITIES OTHER THAN BASES:

Baie Verte, St. Anthony, Flower's Cove, Port Saunders, Port Hope, Simpson and Cartwright.

COMMUNICATION FACILITIES: Ground to air and point to point radio stations to be installed at Torbay, Gander, Millertown Junction, Buchans, Roddickton and St. Anthony. On the proposed routes radio stations will be installed at Bonavista, Fortune, Grand Falls, Corner Brook and Burgeo. Use will be made of all present existing communication facilities.

Co-operation with the railway is a basic consideration in making these recommendations, for, until such time as necessary landing strips are constructed, certain connections will have to be made by rail.

The proposed air transportation system would not interfere but would supplement all other types of transportation.

MR. DESMARAIS: Q. What are the number of planes that you have actually?

A. At the present time we have five.

Q. Will you indicate briefly what is your volume of business in respect to passengers and freight?

A. In respect to passengers, I would say an average of 100 per month due to the fact that the company is entirely chartered and we cannot provide a means of transportation for the local public.

Q. You have no scheduled routes?

A. We have not at present.

Q. What is your total number of miles of operation per year?

A. It is difficult to say at this point. I can

give you the figures for the five-month period for which I have kept a record. The total passenger miles is 200,000 in the past five months.

Q. Would this vary with the summer and winter season?

A. Most definitely. There is a definite variation between the summer and the winter. There is a definitely larger proportion of passengers travelling during the winter season.

THE CHAIRMAN: Q. The larger portion is in the winter season?

A. Yes, rather than during the summer.

MR. DESMARAIS:
Q. The provincial brief at page 28 refers to the fact that application for an airways service in Newfoundland is actually before the Air Transport Board. This application -- is that of your company?

A. Yes.

Q. It is the one referred to yesterday by the Prime Minister?

A. Yes, I presume so.

Q. There is no decision yet on this application?

A. No, sir, nothing official.

Q. You appeared before the Air Transport Board at Ottawa.

A. No, at Gander.

Q. And this application is to perform the services outlined in your brief; am I right?

A. That is right.

Q. Would you inform the Commission as to your

experience in air transportation?

A. My experience in aviation began in 1942 when I joined the R.C.A.F. That is where I first got a taste of aviation, and after the war, in 1945, my experience began with air transportation in Newfoundland. I have had a little over four years of experience doing all types of work in Newfoundland and Labrador, and also I have had three or four ferry flights from the U.S.A., the furthest being to Denver, Colorado.

Q. I understand you are very familiar with conditions in Newfoundland

A. Very familiar, yes.

Q. You have devoted some time to the study of the problem of air transportation in Newfoundland?

A. Yes.

Q. I understand that you have a map of Newfoundland divided into regions in conformity with the plan set out in your brief for setting up proposed air routes throughout Newfoundland?

A. Yes, I have.

Q. Would you file this as Exhibit No. 78, and I would ask you to forward five copies of this map later to the Secretary.

A. Yes, sir.

EXHIBIT NO. 78 -- Map showing proposed air routes and zones.
Filed by Capt. E.W. Blackwood.

MR. DESMARAIS: Q. Using this map, could you outline your proposed plans for an air service in Newfoundland to the Commissioners?

. Mr. Chairman, with your permission I would like to place this map on the wall so that it would be better seen.

Mr. Chairman and Members of the Royal Commission on Transportation: As has already been stated in answer to questions by counsel, this plan has had four years of experience and study into the possibility of air transportation in Newfoundland and Labrador. Before going on with the actual proposed plans of the Eastern Provincial Airways Limited, I would like to draw your attention a little more fully to the extent of our operations and how they are at present organized.

Our headquarters of the company are here, of course, at St. John's on the Avalon Peninsula. We are situated here at this point. We are renting the facilities of the Department of Transport at Torbay consisting of hangars in which we have our parts, our repair ships and all our other equipment, and where we do our major repairs. Also we have, through the courtesy of Imperial Oil, gassing facilities and pumps at this area.

Now we go on to Gander, where we have established a secondary base using Deadman's Pond, which is just to the southeast of Gander, approximately one and one-half miles. Here we have a dock, ramp, gassing facilities and office and a small workshop. Then still further west we have at Buchans only gassing facilities. We have no other facilities than gassing at Buchans, and Buchans is a Department of Transport strip.

We go from there about 25 miles to the northeast, right on the railway line to Millertown Junction, which

is a junction of the main railway and the mining company and the AND Company. Here we are proposing to establish a base, and at the present time we have a wharf, gassing facilities and an agent to represent us.

Going further north, then, we get down to St. Anthony. That is on the northern part of Newfoundland near Hare Bay, approximately twenty miles from the northermost tip of the island. We have gassing facilities and a base there with equipment where we service our planes in the northern part of the country.

Going down then to Labrador, we^{go}/down as far as Cartwright, which is just at the beginning of Hamilton Inlet, and we have here gassing facilities. Still further north is Hopedale, approximately 170 miles north, where we have gassing facilities and oil tanks.

Now you will notice that these points are not more than 100 to 150 miles apart, which gives us a carrying payload. By that I mean that we are able to reduce the gas load and get a bigger payload. So that is approximately the extent of our air operations in Newfoundland. As I have said, we have five aircraft, which at the present time -- in view of the fact that no decision has been reached, that no definite decision has been reached up to now regarding our position, we have only three planes in operation. Two of these are seaplanes and one is a landplane which we use between the airports now.

Q. What kind of planes do you use actually?

A. The planes which we have at present are:
1 Stinson, 3 passenger aircraft on floats; 1 Seabee,

which is amphibian and carries three passengers, 2 Cessna planes and 1 Norseman. The Norseman is not in operation at the present time; we are overhauling it and getting it ready for the winter.

Q. Would you explain the zones which you have outlined on your map?

A. Yes, I was about to do that. The black line here represents, and the black dots as well, the present facilities either in practice or theory. The black lines represent zones, the areas that have been zoned. The black dots here is Torbay airport, the black one here is Gander, and one at Buchans. The green line represents proposed services and the green dots represent proposed landing strips or proposed use of airports that are already built, that is as at the American bases. The small green lines represent a possible air mail or carriage of mail by air routes, and the round circles represent landing areas and not landing strips. They indicate the points where seaplanes will land, depending on the season.

I will try to explain the purpose of the zones. Due to the experience of the past years, we realize that the operation of sea and ski planes in the summer and winter represents great disadvantages in comparison to aircraft operations from prepared land, but we also realize that at the present time landing strips are very limited and Newfoundland terrain offers limited possibilities for the construction of landing fields especially in the more remote areas and more isolated

areas of the island where we would definitely put our services. On the other hand, even though we have to carry this type of operation, we are making plans and looking into the possibility of building landing strips where it is feasible and practicable so to do.

Now, unlike any of the provinces in Canada, for the greater part Newfoundland experiences a wide variation of weather conditions. Therefore, we feel that to carry out an efficient type of operation we should not try to connect up places more than 150 miles apart, but to use all these types of aircraft, that is the skiplane, the seaplane and the landplane. Due to the fact of the varied climatic conditions, to connect up places more than that distance apart cannot be done efficiently. I would consider it economically unsound in any operation to base an aircraft at one point in Newfoundland and expect to give Newfoundland, to cover Newfoundland and Labrador, with an efficient type of transport service. Therefore we consider that aircraft should be located throughout the island at strategic points and to do this we have zoned the island, and the places within these zones experience similar weather conditions. That is, the climatic conditions in this area are for the most part similar.

This is Zone 2 on the map here. This area for the greater part experiences a similar type of climatic conditions both winter and summer. The same applies to this Zone No. 3; but there is a marked difference in climatic conditions between Zones 2 and 3, and this applies to all the other zones on the island.

THE CHAIRMAN: Q. What do you mean, points between zones Nos. 2 and 3?

A. The main point is in the climatic conditions. I will try and point them out. In Zone No. 1, the Avalon Peninsula and Burin area, it does not freeze sufficiently to use the skiplane before some time in the latter part of January. On the other hand, Zone No. 2 is suitable for skiplanes somewhere in the vicinity of the first of January; and in Zone No. 3 as early as sometime in December we can operate skiplanes.

Down here north in No. 4, we can operate as early as the 15th of November. Therefore we felt that by using aeroplanes based on a point in this zone, and by using seaplanes for the rest of the zones, it would be a fair proposition. Whereas if we kept them here at St. John's -- Base No. 1 -- for operations -- if we kept them here, it would be impossible during the months of November and December to adequately serve the area -- to try and get a float down there to No. 4 on Labrador, due to the fact that we are here on floats and down here on skis. It would present a great problem to try and get there and change; whereas if the aeroplane is based in that area, it would be on skis. Therefore, anyone wishing to travel from St. John's by air to any one of these zones, would have to go by means of skiplane or float plane, instead of which they go as far as possible by landplane and would use the present facilities which are operating.

Now we also suggest that these zones -- we have made them so that the base picked for operation in

each zone is so located that it is in the vicinity of or on the regular route serviced. That is, using Gander, Buchans, or as an alternative, it is located on the railway; so that people coming in from these areas of Nos. 3 and 4 or 2 to St. John's or in the areas south, could come in by chartered aircraft to the base, get on the railway which is at the present time the most efficient means of transportation in Newfoundland; and travel to St. John's or any other part of the island. Or, providing that they have a landplane operating across country from St. John's to Buchans, they could transfer to this landplane and come in all the way by air. Whereas they cannot possibly do it with the float or skiplane at certain seasons of the year.

MR. LEWIS: Q. Would you please speak a bit more slowly?

A. I am sorry. I come from a long race of fast talking people.

Now, these bases should be located also with a view to establishing air mail routes to the isolated areas of Newfoundland and Labrador. Therefore, the location of the bases should be such as to enable the Postal Department to use them as the originating point or points for mails. Now at the present time, to try and connect these zones by means of a landplane using the present facilities of Gander and Buchans, can only be met in a limited degree, due to the fact that at the present time the other zones have not any landing strips.

We feel that an internal air organization should

be so set up that it would connect the most promising and larger business centres of Newfoundland regularly and in doing so it would also connect the zones which in turn would offer a means of transportation for these poor unfortunate people living in Zones 3, 4 and 2 on the coast of Newfoundland where for more than six months of the year the people, in a great number of cases, are entirely isolated from any means of connection with any port or other zone other than by dog team or on foot.

COMMISSIONER INNIS: Q. Have you worked out a rate schedule?

A. We have a rate schedule; we have been running under a charter rate schedule for the past few years.

Q. How do they compare with railway rates?

A. They do not compare with the railway rates; but one of the greatest parts of the plan is to bring air transportation on a basis that can be met by the general public; that is, to compare now with the present surface means of transportation.

Now, to do this it is necessary, as already has been pointed out, to zone the island and base aircraft at strategic points so that the distance for which any person has to charter aircraft is narrowed down to the shortest possible distance, a regular route which runs under the basis of a per-passenger rate -- that is, a rate set out per passenger between specific points. To give you an example: An aeroplane based at Gander could go out to Twillingate in the month of January, bring in a person, and the minimum charter cost would be \$30. He could then either get on the railway and

come in here --

MR. DESMARAIS:

/ Q. Come in where

A. To St. John's. He could come in to St. John's for \$5 which would mean it would cost \$35 to come from Twillingate to St. John's. Whereas, at the present set-up of the air company in Newfoundland, it would cost a minimum of \$108 to charter an aircraft to come from Twillingate to St. John's. If a regular run such as Trans-Canada Air Lines, for example, could take that passenger, he could fly from Twillingate to St. John's for a cost of \$40.90, all the way in by air; as against a charter rate of \$108.

Another example: A person in Baie Verte in the White Bay zone -- Zone 3 -- wishes to travel to St. John's; he would charter an aircraft from Baie Verte to Millertown Junction. Millertown Junction is on the railway line. He could fly from Baie Verte to Millertown Junction for \$30 or \$35, and then for another \$10 he could come all the way to St. John's by rail, which is an overnight trip -- making a total cost of somewhere in the vicinity of \$45. Whereas if he were to charter an aircraft to come all the way to St. John's, it would cost \$120.

Therefore, if, again, there was a cross-country line running, connecting Gander and Buchans and St. John's, it would cost \$35 to come to Buchans and then charter an aeroplane. Then the cost from there to St. John's would be \$20 approximately, or \$50 all the way by air under that proposed scheme; whereas it will cost \$120 to charter an aircraft to come all the way in.

Capt. Blackwood

And I might say that there is a great demand during the winter seasons even from the poorest people to use air transportation in Newfoundland.

MR. DESMARAIS: Q. Now, Captain Blackwood, what additional equipment and facilities would be necessary in order to realize this project?

A. We are hoping to do the complete job with ten aircraft. At the present time we have five. But to set up our bases we would need three more aircraft bases to set up adequately in each of the zones, and to carry out this cross-country line we need an additional three aircraft to adequately service these air lines.

A. What about facilities with regard to airstrips?

A. With regard to airstrips, we have only Torbay where facilities are adequate; Gander where, similarly, facilities are adequate, and Buchans. Therefore we could now only possibly run from St. John's to Buchans or from Gander to Buchans, because we do not want to interfere with Trans-Canada Air Lines who are running from St. John's to Gander and giving a fairly adequate service. I think their exhibits show that there are passenger seats vacant on most of their flights.

Therefore, if we were to operate a cross-country line using present facilities, we would not carry passengers between St. John's and Gander. We would leave that to T.C.A. provided they could guarantee to give us priority on space for passengers during the winter season, that is, passengers we might bring in from the coastal areas in Newfoundland. Otherwise if we could not do that and if our aeroplane was there,

and certainly if the parties wanted to go to St. John's by air, it would not be fair to say to them, "I cannot take you in. You must go in by rail." That is something which I feel could be taken up between the local air service and the present Trans-Canada Air Lines.

Between Buchans and Gander there is no Trans-Canada Air Lines. Therefore we could adequately carry passengers from St. John's to Buchans, stop at Gander for refuelling and for passengers going west to Buchans.

Q. Do I understand your company would purchase this extra equipment?

A. Yes, it would have to.

Q. You would provide the facilities?

A. We would provide the facilities. That is, company facilities at each of the airports. We would use also the facilities offered by the Department of Transport, but in order to extend this cross-country line, to take in some of the important towns, the growing towns in Newfoundland, it would be necessary to build strips at Bonavista in Bonavista Bay, Grand Falls and at Corner Brook. These are on the cross-country lines serviced by the railway. These are the three big centres.

Q. Who would build these strips?

A. That is up to the Department of Transport.

Q. How much would that additional cost be to establish such a proposed plan?

A. In aircraft and radio equipment, it would cost \$15,000 to put on that cross-country service.

Q. What would be the cost of the airstrips?

A. I think the Transport Department requirements are for 3,000 foot space by 800 feet wide into the prevailing wind, and I should estimate, provided that the terrain was not too difficult, the work would cost approximately \$25,000 to lay the strips suitable for the type of aircraft such as we would use.

Q. How important or necessary is this proposed air service to Newfoundland, in view of transportation?

A. I would say from a transportation point of view, or a commercial point of view, or even a human standpoint, that it would reduce the cost of air travel considerably; it would link up some very important towns in Newfoundland, because even the railway is not the most comfortable means of travelling especially during the winter. It would also enable these people who are isolated for six months of the year to come to the business centres to do their business; whereas at the present time they can only do business during the summer.

I might state that during the summer season they want to be home at their own business; that is their greatest time of the year. But, instead, they have to come to St. John's in the spring of the year and do all their business, maybe after the first boat has already gone north. They have to do that to obtain their supplies and so on. The same thing applies in the fall of the year. They have to come to St. John's and have to get enough supplies for about six or seven months. I am sure no one in this room would consider storing in their pantries a stock of supplies to last six months, which these people, due to climatic conditions, are

obliged to do. I may say that they cannot store up more than bare necessities. Perishable goods are impossible to store. Therefore, the inauguration of a cross-country line and then the feeder lines to work into this cross-country line, would enable all these people in Englee, St. Anthony, Flower's Cove and Fort Saunders -- all very important settlements and towns on the Northern Peninsula -- it would enable them to obtain perishable goods which they so badly need.

THE CHAIRMAN: Q. Please tell me what is the occupation of these people who live in these outlying districts?

A. Their occupation in the summer time is fishing and farming; in the winter time, logging and mining. If there is no logging or mining, there is nothing except hauling firewood in that area. Some of these places are very important in that they have cold storage plants. It was pointed out by Mr. Russell that -- at Englee and St. Anthony they have cold storage plants.

MR. DESMARAIS: Q. Does your experience show that this service would be important from a human viewpoint?

A. Very much so. From the point of hospitalization, you take that into consideration first. In the Green Bay area there are 40,000 people depending upon one hospital, located at the Town of Twillingate. Now, during the winter season from, I would say, somewhere in the middle of December until around April, these people cannot get to hospital.

Q. Could you give us an example of some experience

you have had, just to set out your case more clearly?

A. Well, I remember one case in which I was called upon by the Public Health to perform a service. I was in the Lewisporte area; as a matter of fact in Green Bay, and I was coming south hoping to get to St. John's the same day. When I landed at St. Anthony for gas I was no sooner down and landed on skis when the doctor came rushing out with his bag and said, "Can you take me over to Cooks Harbour; there is a woman there who had a baby five hours ago and has been bleeding since that time, and it will take me all night to go that twenty miles by dog team, and I am afraid it will be too late before I get there." So I turned the aeroplane around and in ten minutes the doctor was there and in another half hour we were back to St. John's, and it saved a human life.

If that aeroplane had not been there, and even if it had been based on the eastern part of Newfoundland, in St. John's, we could not possibly have got over there in time to save the woman's life.

Our plan is to have a plane based somewhere in the vicinity where the people have to depend entirely upon the St. Anthony Hospital in this whole area, the greater part of Labrador and Northern Peninsula. An aeroplane there could possibly save lives, and be of great importance to these people as a means of transportation, because in St. Anthony you could not possibly do it otherwise.

Q. I presume there are other similar experiences you could relate?

A. There are several.

Q. On page 8 of your brief you state that the proposed air service would supplement the other services of transportation established in the island. Is that correct?

A. Yes, we do not want to compete with or interfere with surface means or any other air traffic in Newfoundland. We just want to supplement these services.

Q. The services would be co-ordinated?

A. Definitely. I have already stated that we have selected our bases so that possibly we could use the trunk railway line.

Q. Now in reading page 1 of your brief it seems to be suggested that if your aeroplane service is established in Newfoundland one might be able to do away with the building up of some other additional railroad or highway facilities?

A. Well, we all know after reading the brief that was prepared by the Government that Newfoundland is one of the worst-off provinces in Canada for want of roads as a means of transportation, but although we need these roads, and the fact that we have only 400 miles of motoring roads in Newfoundland, and we have, on the other hand, a coastline of approximately 6,000 miles and more than ninety per cent of the people live on the coastline, roads are definitely necessary and will be of great advantage to the people, especially during the summer season. But no matter what type of roads you build and where you build them, during the winter season they are going to be for the most part blocked and of no

use to transportation; and furthermore, in two of these bays, Bonavista Bay and Notre Dame Bay, more than fifty per cent of the people live on islands.

THE CHAIRMAN: Q. What is that?

A. On the islands in the bay, which would make it very difficult to provide means of transportation by roads; therefore, even though roads are necessary and should by all means be gone into, air transportation should supplement that and be the first consideration.

MR. DESMARAIS: Q. Now what are your specific recommendations to this Commission?

A. The recommendations which we would make are that (1) mail subsidies be given for the carriage of mails by air to all portions of the province of Newfoundland and Labrador that are deprived of any means of transportation due to climatic conditions, and this subsidy to be such that it will enable the aeroplanes to carry and provide public transportation as well as the carriage of mail;

(2) to subsidize an east to west regular route service, using what facilities are now available and to look into the possibility or possibilities of building landing strips at Bonavista, Grand Falls, Corner Brook, Grand Falls and Burgeo, so that the east to west services could be extended to include the above-mentioned places;

(3) to subsidize an air carrier to cover the overhead cost of a helicopter to be used for special emergency cases that cannot be undertaken by the conventional type of aircraft;

(4) rights to be granted Newfoundland operating companies to land and pick up passengers at the American bases of Argentia and Stephenville.

Q. Now if there are any questions --

MR. DYSART: Mr. Macdougall has some questions to ask.

CROSS-EXAMINATION BY MR. GRAHAM MACDOUGALL

MR. MACDOUGALL: Q. Mr. Blackwood, I understand from your very complete explanation of your proposals that you have had most of these matters up before the Air Transport Board, and you probably would have included most of your proposals in your recommendations and your requests for operating facilities and license in the province; is that correct?

A. To a point. They were mostly interested in the bases we had applied for and not so much the air mail or the routes which we intended to connect with these bases. The primary proposition was to decide whether or not aviation could have any present application to Newfoundland.

Q. So far as air mail plans and subsidies which you speak of are concerned, that is a matter of negotiation between your company and the Post Office Department?

A. We have been asked by the Post Office to submit tenders on certain routes.

Q. Can you tell us whether or not your plans for air mail carriage are relative to, or perhaps I should say improving the mail service to people in the outports of Newfoundland over what they are getting by the boat

services, or do you plan to cover areas which are now covered by boats and give them full services or is it supplementary?

A. The plans at the present time are for the winter, when no boats are operating, but there is also included in the plans and tenders that mail should be carried, at least first-class mail should be carried, by it during the summer season and to call at the places where boats do call.

Q. That would be just at the larger centres on the coast?

A. Not in the winter. It would be all the places we can possibly get into. In the summer season it would be more or less the larger centres where we have merchants and various business men.

Q. Perhaps you could tell me how the people in the areas you spoke of in the Northern Peninsula get mail in winter time. They do not get mail in at all?

A. Previously, that is more than three years ago, all mails were taken by dog team to this area; that is Zones 3 and 4, the northern peninsula of St. Barbe on the west and White Bay on the east, were taken by dog team, and frequently for the most part once a week, sometimes longer than that, depending upon conditions.

Q. Now, one more point, Mr. Blackwood, to clear up the point about your operations into and out of Torbay and Gander. Am I correct when I understand you to say that your application to the Air Transport Board for your privilege to pick up and set down passengers at Torbay

and Gander, is a privilege to bring them from and to these points, but not between?

A. Not between Torbay and Gander; that is correct.

Q. And on page 8 of your brief you speak in the second last paragraph of your co-operation with the railway being one of your basic considerations in your recommendations and certain connections will have to be made by rail. Do you intend that some additional connections over what already exist will have to be made, or is it your proposal to tie in with existing rail services so that connections will be made at places direct by the railway line until you can give an all-time air service?

A. Yes, that is the plan; the positions that we have advocated are standing along the railway line. One for instance is at Millertown, insignificant as a place, but very important from the standpoint of passengers because here all passengers for Buchans Mining Company, and all loggers and woodsmen for the Anglo Newfoundland Development Company might get off at Millertown Junction and use the privately owned branch line. To give you some idea, in ten days I transferred eighty passengers from this area, that is Zones 4 and 3, approximately 150 miles in ten days, to Millertown Junction, where they took that train and spread out to various parts of the island.

Q. You think it could be tied in without any increase in service or facilities to those existing?

A. That is right.

Q. Mr. Blackwood, just one more point. In today's

paper I notice an advertisement by your company for daily flights between St. John's and Buchans and Gander and Buchans. Is that the charter service you spoke of or is that something new?

A. That is a slip actually. Previously to our applying to the Air Transport Board we applied for licences to operate between these two points, that is, St. John's and Buchans, and Gander and Buchans, but some more consideration has to be given to that application. Previously we did because no one could stop us and no one interfered.

Q. Before confederation?

A. Previously to confederation and after confederation and previous to the Air Transport Board coming and requesting applications, we were plying between St. John's and Buchans; I would not say daily; it would be daily if there were passengers in the offing, but that has been discontinued. Apparently it was by some slip we inserted it.

Q. So actually you are not running that daily service.

A. Not at the present.

MR. COVERT: The next submission, Mr. Chairman, is that of the Newfoundland Board of Trade.

LEWIS H. M. AYRE, called

EXAMINED BY MR. COVERT

MR. COVERT: Q. What is your name?

A. Lewis H. M. Ayre.

Q. Now, Mr. Ayre, what is your position with the Newfoundland Board of Trade?

A. I am president of the Board of Trade.

Q. And does it represent boards of trade throughout the island or is it --

A. There are no boards of trade in Newfoundland, with the exception of the Bay of Islands Business Men's Association, which is affiliated with this Board.

Q. And this Board has its headquarters at St. John's?

A. At St. John's. It was set up by Government Act of 1909 incorporating it.

Q. It is a body incorporated by statute.

A. Yes.

Q. Now you have a brief which you wish to submit to the Commission, and I am asking, Mr. Ayre, in order to save time, if ^{it} would be all right to have it put into the record just as if it had been read here, and then we could question you on it.

MEMORANDUM BY THE NEWFOUNDLAND BOARD OF
TRADE TO THE ROYAL COMMISSION ON
TRANSPORTATION - SEPT. 28, 1949

It might be stated at the outset that no precedent exists to the circumstances produced by union between Canada and Newfoundland. Newfoundland's is an island economy, and as such has not evolved similarly to the continental mainland. Our system of doing business is older than, and consequently different from, Canada as a whole, and any attempt to apply unaltered a mainland system of transportation to this island would seriously disrupt long-established balances with serious consequences to our industries and people.

It is not in fact possible, in the short time since confederation, to assess accurately the impact of union on the transportation system in its various ramifications. There are, however, certain important considerations which we feel the Royal Commission should take fully into account at this stage.

SECTION I - THROUGH TRAFFIC INTO THE ISLAND

Because of our climatic and soil conditions we are dependent upon sources of supply outside the island for virtually all the food, clothing, as well as the other materials we need for our fisheries, our paper industries, our mining industries and our secondary manufacturing industries. As the sources of supply for Newfoundland are located largely in Ontario and Quebec, the problem of maintaining adequate supplies of all materials essential to our economy is of great

importance.

Freight moving from these sources often requires two to three weeks, and frequently longer, to arrive at its destination. During the period from December 1st to May 1st ice conditions prevent the free movement of traffic to approximately two-thirds of the island, and all of Labrador. The communities along the coasts depend entirely upon our coastal steamship service for transportation, and are not serviced by either rail or roads. Other communities which are remote from rail centres, but serviced by small roads are also isolated for some four months of the year, due to winter conditions rendering the roads impassable. Because of this situation, the demands for materials and supplies prior to December 1st and after May 1st are extremely heavy and the wholesale trade is expected to meet the demand in full.

From the foregoing, it is evident the trade of this island is faced with many particular problems relative to the distribution of food, clothing, essential fishing supplies, etc. It is imperative, therefore, for the Canadian National Railways to provide adequate facilities to move all this merchandise to our island with the quickest possible dispatch.

Due to the lack of statistics, it is not possible for us to provide figures relative to the traffic C.N.R. will be required to move. Past customs returns show our imports of all commodities at approximately 900,000 tons, but this includes coal, petroleum products, fishing salt, etc., which probably will continue to be moved by water. It is, however,

reasonable to assume that our imports of commodities, other than those above listed, from the other provinces will approximate 300,000 tons, and we contend that the facilities at both North Sydney and Port aux Basques are inadequate to handle this tonnage. In addition to this, our railroad, as it is presently constructed, with its curves and grades, as well as its single track, will make it impossible to carry all the traffic, including passengers, requiring transportation. In the past, the normal movement via Port aux Basques was only some 65,000 tons, and the facilities were then heavily taxed.

Even if the facilities could be increased the fact remains that neither North Sydney nor Port aux Basques are ice-free ports, and assuming the provision of a standard gauge rail, and other additional facilities, are not in immediate prospect, diversion of freight to water carriage is essential. In connection with the latter, shippers are continually complaining about breakages, which are unusually heavy, and this will be inevitable while freight is handled frequently. We suggest the following alternative route(s): Campbellton to Corner Brook for all shipments between Corner Brook and Bishop's Falls; the C.N.R. to provide a spur from Western Terminals Pier to the mainline -- a distance of approximately 100 yards, in order that shipments may be discharged from the ship's side to cars, eliminating possible breakage and handling charges which would otherwise be involved. (b) consignments destined for rail points from Port au Basques to rail points as

far as Corner Brook should be routed via Sydney. This should also apply to shipments intended for South Coast ports and which would be carried by coastal steamer to their final destination. (c) During the winter months, Halifax or North Sydney would have to be substituted for Campbellton and Port aux Basques for Corner Brook. As already pointed out, traffic during these months is relatively small, compared with the remainder of the year. (d) Some 40 per cent of our population is located on the Avalon Peninsula, and if we include with this all of the southeast coast of the island, as well as Placentia Bay, which areas are serviced by coastal steamers operating from St. John's, the total would be approximately 70 per cent of the population. By far the great majority of our local industries, giving much employment, are located in St. John's. We contend it would be considerably cheaper to move all this traffic by water from Montreal, Halifax and Sydney to St. John's, for distribution to these areas. St. John's is one of our few ice-free ports and consequently this traffic would be maintained all through the year.

As far as we know, there is no reason why the Canadian National Railways would not use the Admiralty property situated on the north side of the harbour of St. John's. These quays and adjoining sheds would be ideally suited to handle this traffic. A large part of the movement would be intended for consignees at St. John's and the sheds could be used as temporary warehouses until the shipments are delivered. We advocate a small

spur -- a distance of approximately two hundred yards -- be constructed from the mainline, in order that railway cars could be used to discharge cargo intended for rail and/or rail and steamer points. In this manner traffic would be handled by the railway at the least possible cost and with maximum efficiency.

Ultimately, the railway will have to provide for this province two ships constructed in such a manner as to carry railway cars. One of these would operate on the west coast, and should be able to carry some thirty or forty automobiles. In view of proposed road developments this vessel would, without doubt, be taxed in order to carry passengers and automobiles, but the second vessel also equipped to carry rail cars would be able to carry the bulk of the freight which would, of course, be routed to the east coast.

We request that the appropriate authorities carefully consider these ideas for the movement of the traffic to this island at the earliest opportunity. It is our considered opinion it will provide for this province:

1. Speedier transportation
2. Less handling and consequently less breakage
3. A decided saving in operating costs for the railway.

Because more than 70 per cent of the population of the island was located on the north and southeast coasts, it was natural for St. John's to be the principal port of importation. If we refer to our customs returns, we

find nearly five hundred thousand tons of cargo were discharged at St. John's, and distributed from there to the other parts of the island. In consequence, our local industries were located either in St. John's or in close proximity to the port, which had so many facilities to offer industry. In addition to this, and for apparent reasons, St. John's became, and still is, the hub from which our railway, our coastal steamers and our local vessels operate. The fishery will, without doubt, remain our principal industry, and it is most important that the materials required by our fishermen reach them with the minimum of cost. It is safe to say that more than 75 per cent of our fish production is located within the area we have mentioned. It is important to the economy of the country that these facts should not suddenly be disregarded.

It would be a serious disruption if this section of the island, containing so large a percentage of our population, were not permitted to enjoy freight rates equal to the western half of this island.

If we refer to class rates presently in effect on the mainland, we find the average difference between the rates from Toronto to St. John, N.B. and the rates from Toronto to Sydney, are slightly less than eight cents per one hundred pounds. The distance between St. John and Sydney is approximately five hundred miles. The distance between Port aux Basques on the west coast and St. John's on the east coast is only slightly more than five hundred miles. If the railway adopts the methods we have suggested to move cargo from the

mainland at reduced costs, as compared to an all-rail movement, there is every reason why the small arbitrary of eight cents should be waived.

It should be borne in mind, St. John's has always been, and will, because of its advantages, as well as its facilities, be the port of entry for all vital importations from the United States of America, England, European countries, and from the rest of the world.

Only a few years ago, the importance of the harbour of St. John's, and its geographical position, was most clearly demonstrated to the world. During World War II, it was occupied by the allied navies and played a most important part in the Battle of the Atlantic. Through this port flowed most of the supplies for the allied forces which occupied this island. Unfortunately, it is not impossible that in the future St. John's may be called upon for similar duties.

For all these reasons, we submit recommendations should be made to the appropriate authorities for the development of a national harbour at the port of St. John's. The Admiralty property, to which we have already referred, the breastwork constructed during the war, and located on the south side of the harbour, the large dry dock, and its modern fully equipped machine shop would tend to minimize the cost, and upon completion would make it one of the best equipped harbours on the Atlantic seaboard.

SECTION II - SPECIAL REFERENCE TO FLOUR AND FEEDS

Prior to April 1st, and as a result of representations made to the Newfoundland Railway by the Board of Trade, it was made possible to drop shipments consisting of 100 bags or more of both flour and feeds to rail and steamer points. This traffic was moved at carload rates. The per capita consumption of flour is considerably higher in Newfoundland than in any of the other provinces, and our climate and soil does not lend itself to the production of feeds to any extent. Consequently, the cost for feeds is a matter of vital importance to dairy and poultry farmers, as well as our people in the small communities who keep livestock and poultry for their own needs, and who cannot purchase their requirements in carload lots. Less than carload shipments from the source would not be practical, and if this privilege was withdrawn, consumers in these areas would have to pay approximately fifty cents per bag more for flour and feeds, by virtue of the necessity of ordering in small quantities from wholesalers and bearing additional freight and handling charges.

It should be realized, carloads originating from the mills have to be broken at the point of exit from the mainland. In actual practice, this method of distribution did not increase the Newfoundland Railway's operating costs, as carloads of mixed freight intended for a number of consignees to each place, or section of the island, were assembled at the loading point.

Immediately after April 1st, representations

were made to the C.N.R. to continue these drop shipments, and we are indebted to them for agreeing to do so. We do, however, draw your attention to the necessity to make this arrangement a permanent one.

The export or furtherance rate on carload shipments of flour which were in effect prior to April 1st are presently permitted on shipments routed to Halifax and Sydney for furtherance to Newfoundland by local vessels. This arrangement, we are told, is a temporary one, and might be terminated next year. We earnestly request this might also be continued for an indefinite period.

It is the practice of the C.N.R. to add 15 cents to the through rate for transshipping flour to south coast ports and 28 cents per one hundred pounds for shipments going to Placentia Bay and northern steamship points. If we take into consideration loading costs, it is doubtful if the railway could carry this traffic profitably. In the case of feeds, the subsidy is not extended beyond the rail terminal, and the same differentials are applied.

In the past, many firms built and operated small vessels in order to carry these commodities to coastal places, and to other isolated communities not served by road, rail or steamer. These vessels play a most important part in the economy of this island, as well as help to nourish the natural maritime predilections of the people. In the early spring they carry supplies required for the fishery, either from the mainland or from local distributing centres. During the late spring, the summer and early fall, they prosecute the fishery.

Later in the fall, they are once more used to transport supplies of food and other materials required for the long winter months. If the earnings they are now receiving from carrying flour are removed, there will not be the same incentive for maintaining these vessels. Their disappearance would be highly regrettable, from the standpoint of the Dominion.

SECTION 3 -- TRAFFIC MOVING WITHIN THE PROVINCE

It is impossible for the steamers presently used by the railway to provide a service adequate to our needs, and for many years complaints have been registered by many sections of the island. We strongly recommend that the requirements of our coastal service should be carefully studied.

At the present time, steamers which cost hundreds of dollars per day to operate are calling at many small communities, and are frequently delayed there by weather conditions. We believe it should be possible to establish two centres on the south and northeast coasts and from which small vessels comparable to the Clarenville boats could operate. Warehouses could be erected at these places and the regular coastal steamers could deliver the freight to these points for subsequent handling by smaller boats in a manner calculated to improve the services and reduce the cost of operations.

In connection with the movement of freight by rail within the island, we would point out that prior to union the Newfoundland Railway permitted carloads of mixed freight to be moved at a rate comparable to the

present Class 5 rate. There were many reasons why this was necessary. Our industries and distributing centres in the interior of the island had to move the materials they imported from the United States, England and other countries from St. John's. In addition to this, the products of our local industries, including such important items as cordage and fishing materials, margarine, biscuits and bread, clothing, tobacco, etc. have to be moved to these centres from St. John's. In order to reduce freight charges and consumer costs, all these materials were pooled and moved at the mixed carload rate we have mentioned.

This privilege has disappeared with union and we are presently charged by C.N.R. the rate determined by the commodity bearing the highest class rate. As we are prepared to fulfill all the conditions applicable to a carload movement, including shippers load and count, we request that the Class 5 rate be applied on this mixed carload movement. With little or no exception this traffic will have to be moved at less than carload rates if this request is not granted.

SECTION 4 -- MOVEMENT OF VEGETABLES WITHIN THE ISLAND

Although Newfoundland is not a heavy producer of agricultural products, steady progress is being made in the direction of supplying Newfoundland's basic agricultural needs from local soil.

In order, however, to enable Newfoundland farmers to compete in this market successfully with mainland producers, cheap transportation is essential.

The transportation of agricultural produce is not an insignificant part of railway business, and as better marketing arrangements come into existence the volume of agricultural produce can be expected to increase.

It would, in our opinion, greatly facilitate the agricultural industry if the Canadian National Railway erected a number of warehouses at certain selected points, suitably designed for the storage of vegetables, and possibly containing some refrigerated space for eggs, poultry, etc.

SECTION 5 -- TOURIST POSSIBILITIES

Without going into the matter in detail, we would draw the attention of the Royal Commission to the possibilities in Newfoundland of developing a substantial tourist industry, the absence of which in this country is regarded as largely attributable to the fact that no suitable facilities exist.

We recommend that this phase of the transportation business should receive careful examination.

We attach, as an Appendix, a memorandum by Newfoundland Associated Fish Exporters Limited on the question of transportation of salt codfish to foreign markets.

For, and on behalf of the
NEWFOUNDLAND BOARD OF TRADE

A P P E N D I XTRANSPORTATION OF NEWFOUNDLAND SALT CODFISH
FROM POINTS IN NEWFOUNDLAND TO FOREIGN MARKETS

The signatories to this brief, Newfoundland Associated Fish Exporters Limited, is an official organization, with exclusive rights for exporting and marketing the whole production of Newfoundland salt codfish, and is, therefore, responsible for making the most advantageous arrangements for the movement of salt codfish to market.

That the fisheries are of the greatest importance in the economy of Newfoundland is an accepted and indisputable fact. Of all fisheries, the salt codfish branch is the greatest. The movement of this salt fish from ports in Newfoundland to foreign markets by the most efficient and cheapest method is very necessary to maintain the economy of the industry.

Newfoundland salt codfish is sold both in the eastern and western hemispheres. As the movement of fish to the eastern hemisphere has, in the past number of years, been arranged by the foreign buyers chartering their own tonnage, it is not considered necessary at the moment to include it in the scope of this brief, which, therefore, will be restricted to problems inherent in the western hemisphere.

The sale codfish industries of Newfoundland, Nova Scotia, New Brunswick, and Quebec, are all in

direct competition, one with the other, particularly in markets in the western hemisphere. The Newfoundland industry is more than twice as large as the total combined industries of the three other provinces named. Because of its geographical position, and lack of rail facilities at so many salt fish production centres, Newfoundland shippers are unable to avail of any special rail rate concessions which might be of benefit to them, and to which they would otherwise be entitled.

The markets in the western hemisphere to which Newfoundland fish is sold may be divided into two sections, i.e. those markets served by direct vessels from Newfoundland, and those markets to which shipments have to be made via Halifax and/or New York. These are listed under (a) and (b) below.

(a) By direct vessels:

Jamaica; Puerto Rico; Cuba; Barbados;
Dominica; Granada; St. Lucia; St. Vincent;
Guadeloupe; Martinique; Trinidad; British
Guiana.

(b) Transshipments via Halifax and/or New York:
Puerto Rico; Cuba; Brazil; Haiti, Dominican
Republic; Dutch Guiana; Curacao and Aruba;
Central and South America; and markets
listed under (a) when direct vessel not
available.

It will be noted that Puerto Rico and Cuba are included under both (a) and (b) above, the reasons being that shipments are moved by both methods to these markets.

Shipments to markets under (a) are taken care of by locally owned small motor vessels, with a capacity of between 700 and 900 casks. These vessels load their cargoes at various ports around the coast, and, with the exception of fish loaded at what is considered to be the vessel's inward discharge port, shippers are required to pay an additional 50 cents per cask over and above the regular freight rate. All sales being on an f.a.s. basis, the regular freight charge is for account of buyers, but this additional 50 cents per cask is borne by the individual shipper, and is intended to cover the cost of having the vessel collect the fish at the various export points. In practically all instances, the regular freight rate by these vessels is about on a par with the regular freight rate to the same markets from Halifax.

Shipments to markets under category (b) are obliged to pay a freight rate which is based on the regular rate from Halifax, plus the cost of movement from ports in Newfoundland to Halifax. Because, as already mentioned, all our sales are on an f.a.s. basis, the burden of this extra freight cost does not today fall directly on the Newfoundland shipper, but has to be borne by the buyer. In effect, the result is that the Newfoundland shipper is at such a disadvantage as compared with his counterpart on the mainland that, either he has to absorb a goodly part of the freight differential, or else, abandon those particular markets to the mainland competitors.

The general freight rate on salt fish from Newfoundland to Halifax varies between 65¢ and 85¢ per

100 lbs., dependent upon the type of package. While it is admitted that, in some cases a through rate from Newfoundland via Ha'ifax to the market can be obtained at a cheaper rate than the combined rates Newfoundland-Halifax, plus Halifax to the market, there is still such a differential as to have a restrictive effect upon Newfoundland sales to these markets.

Reverting for a moment to the position of shipments to markets under (a) above, it is emphasized that the condition as outlined applying to those markets at present, can only apply as long as the local vessels are maintained in their present trade, and can continue to carry fish at rates not higher than the rate from Halifax.

It is our understanding that there are special concessions applicable to the movement of fishery products by rail throughout the maritime provinces to export ports.

- It is the plea of this brief, therefore, that,
- (1) arrangements should be made whereby Newfoundland salt fish moving to markets under (b) should receive a freight concession on an equal basis to that granted movements of salt fish from points on the mainland to export points;
 - (2) the additional charge of 50¢ a cask which many shippers are at present obliged to pay for the privilege of having direct vessels load at their port should be, at least in part, absorbed by Canadian National Railways, in accordance with the policy of providing special

- "depressed" rates to cover similar situations in other provinces, and because there are no facilities for the movement of fish by rail;
- (3) a very serious situation would arise in Newfoundland in the event of the direct vessels at present serving markets under (a) being withdrawn, or the rates increased;
- (4) This problem of the transportation of salt fish is of such importance to Newfoundland, and because Newfoundland is the major producer, to the whole salt fish industry of Canada, that the complexities of the problem are worthy of deep consideration. Therefore, it is requested that the Transportation Commission arrange to have opened a special inquiry for this purpose.

NEWFOUNDLAND ASSOCIATED FISH
EXPORTERS LTD.
SIGNED: LEWIS BROOKES.

THE WITNESS: I might say, Mr. Chairman, that Mr. Edgar Miller, who is here, is Vice-President, and has been chairman of the committee dealing with this question of transportation. I felt it proper that I should come here today to present this, but since Mr. Miller is much more familiar with the details of the brief and has, in fact, been to Ottawa, and has been dealing entirely with this matter, and has been convener of this committee, if it is in order I would like to suggest that perhaps he might take my place to answer the questions. I think it might save the Commission's time, if that is in order.

MR. COVERT: Thank you very much, Mr. Ayre.

EDGAR MILLER, called

EXAMINED BY MR. COVERT

MR. COVERT: Q. What is your first name, Mr. Miller?

A. Edgar.

Q. You are vice-president of the Board of Trade?

A. That is right.

Q. Now, Mr. Miller, in paragraph 1, page 1 of the brief, you say:

"Any attempt to apply unaltered a mainland system of transportation to this island would seriously disrupt long-established balances with serious consequences to our industries and people."

"Long established balances with serious consequences to our industries and people." I wonder if you could enlarge upon that a bit? I am not sure that I under-

stand what you mean by the phrase long established balances."

A. I think that is meant to apply to conditions in this country. Because it is an island, because of our scattered population, it is so different to what applies on the mainland, that any attempt by the Canadian National to apply conditions as on the mainland is likely to cause disruption to our way of doing business and our system of transportation in this island.

Q. And are there some particular phases of that you had in mind -- that it might mean that some particular industry perhaps would be disturbed?

A. Well, I think in our brief we go into the explanation of what effect it can have upon our local industry, our fish and other parts of our commerce.

Q. Now then, Mr. Miller, would you turn to page 3 of the brief, and at the top of the page you suggest an alternative route to the North Sydney-Port aux Basques route. Now the representation in the suggestion seems to be because neither of these --

THE CHAIRMAN: Pardon me a moment. His suggestion is that Campbellton be used.

MR. COVERT: I was coming to that. I was getting at the basis of the suggestion, which appears on the previous page that Port aux Basques and North Sydney are not ice-free, so that as the first alternative you say "Campbellton to Corner Brook." Now that is Campbellton, New Brunswick?

A. Yes.

Q. I was going to ask you -- that is not ice-free either?

A. No. I think further on in (b) and (c) we refer to that. That is for summer operations. If it is transportation from Campbellton to Corner Brook the water distance will be a little greater but the handling charges will be considerably less.

Q. I understand you to say that Campbellton, although further away by water than the all-rail route --

A. Is a little further away from Port aux Basques than North Sydney is.

Q. But you say it would be cheaper because there are no extra handling charges by virtue of having to ship it from train to ship and back to train. That is correct?

A. Yes.

Q. The basis of your suggestion of alternative routes is more than indicated on the previous page, perhaps, is that right? It is not because North Sydney and Port aux Basques are not ice-free ports?

A. The point there, I think, we want to make in recommending Campbellton and Corner Brook in addition to Port aux Basques and North Sydney is the fact that we feel that the present facilities at North Sydney and Port aux Basques are not sufficient to handle the traffic. By using Campbellton and Corner Brook, which in our opinion would not be any more costly, you have one handling charge. By moving traffic direct to Corner Brook you eliminate your handling charges and rail tariff from Port aux Basques to Corner Brook.

Q. When you say that the facilities at Port aux Basques and North Sydney are not adequate, is that the

situation today or is that what appertained in the past?

A. I would say that is the situation today.

Q. Even with the improvements that I understand from one of the briefs are being made at North Sydney, it would still be inadequate?

A. I think in our brief -- it is a pity that this brief has not been read, but that is beside the point now,-- because this discussion is going to be a little disjointed because of that. Normally North Sydney handles approximately 60,000 tons a year. We contend in our brief that it is possible that the Canadian National will have to handle 300,000 tons a year; that is roughly five times more than the present facilities ever handled before.

Q. I wanted to take that up with you, because, as I understand it, it has increased by one-third instead of five times. So it is really the future you are looking to?

A. Yes.

Q. And I want to ask you if Campbellton were used as an alternative route, has that port adequate facilities.

A. I am afraid I do not know.

Q. What about Corner Brook?

A. Corner Brook has port facilities.

Q. I take it from the top of page 3 that this would mean the addition of a spur of just 100 yards. I am not quite sure from that ---

A. We have advocated for that routing of freight from Campbellton, New Brunswick, to Corner Brook because that route would mean that most of the traffic entering for places between Corner Brook and Grand Falls would

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be moved through Corner Brook. At the present time, considerable handling charges -- and breakages, of course, result, -- are involved because the freight has to be transported from the ship's side by tractor or some other means to the Railway. By the construction of a small spur - the cost would be certainly insignificant, -- of approximately 100 yards, railway cars could be placed by the side of the ship and the freight intended for places other than Corner Brook could be discharged from the ship immediately into the cars, thus reducing handling charges and other expenses involved, and tending to decrease breakages.

Q. I want to make it clear in the record. The spur proposed there on the top of page three, is that to be constructed at Corner Brook?

A. Yes, to the Western Terminals pier.

Q. On the same page of the brief, about 7 lines down from the top of the page, you say:- "Consignments destined for rail points from Port aux Basques to rail points as far as Corner Brook, should be routed through Sydney"-- that is North Sydney?

A. Yes, of course.

QOMMISSIONER INNIS: Q. Do you know of the freight carrier, the boat that comes from Prince Edward Island?

A. That is the Esquimalt.

Q. The Prince Edward Island Government have recently purchased a boat which they are now operat-

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ing from Prince Edward Island to the West Coast
of Newfoundland?

A. Yes, I think that is so.

Q. Does it come into Corner Brook?

A. Yes, that is true, it came in on one or
two occasions.

Q. Is the idea that you have put forward to
supply the districts in the interior from Corner
Brook?

A. I do not think I can really answer that
question.

Q. I am referring to the operation of the boat
by the Prince Edward Island Government.

A. I believe, sir, they carry only their own
produce.

Q. It is rather along the lines of the general
principles which you lay down?

A. Yes.

COMMISSIONER ANGUS: Q. These arrangements are
suggested as things which the railway might do in its
own interest for the economical handling of traffic
and primarily for the benefit of the public, although
that is an expense to the railway?

A. It is primarily intended both for the public
and the railway. Because of our knowledge and experience
in the country we have been trying to suggest possible
improvements to the Canadian National Railways which
will reflect in the quick transportation of merchandise
to this Island.

MR. COVERT: Q. Turning to item "C" on that

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page "During the winter months, Halifax or North Sydney would have to be substituted for Campbellton and Port aux Basques for Corner Brook"

A. That is correct.

Q. My difficulty there is that I understand there is difficulty with both North Sydney and Port aux Basques being not ice free. That seems to be indicated in the brief because it says:-

"the fact remains that neither North Sydney nor Port aux Basques are ice free ports"

and I want to clarify that for the purpose of the record.

A. By saying "not ice free" we do not mean that these two ports are completely blocked for any long period of time. I think the experience over the past 2 or three years has indicated that there might be a week, sometimes ten days at a time, when boats could not possibly get out of North Sydney or into Port aux Basques. Over a period of years, generally speaking, throughout the winter both these ports are ice free so that the traffic can continue all winter long except for periods of about six weeks, I think, when during that time almost anything can happen. It will conceivably occur that they may be tied up 1, 2, 3, 5 weeks, although that has not happened.

Q. Clause "D" on that same page. I understand that the argument used here is that since the main part of the population is on the Avalon Peninsula, and most of the industry is concentrated there, the

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traffic should not be by the North Sydney-Port aux Basques route for this area, but you suggest that it should be by water from Montreal and Halifax and North Sydney?

A. Once more that is a question of trying to recommend to the C.N.R. a water route which we feel would certainly be cheaper than our present rail cost. Our present rail cost must necessitate unloading at North Sydney, reloading on the steamer, unloading at Port aux Basques, reloading on to cars at Port aux Basques. I do not have to repeat all the things said about our railway itself, the grades or anything else, the cost of hauling that all through the Island is obviously going to remain considerably expensive.

Q. I think I understand. What you are saying is that at the present time the freight comes from North Sydney to Port aux Basques and goes all the way over across the Island to the city of St., John's, and perhaps some of it may be distributed back to some of the same areas, and you say that the logical thing to do would be to have the freight come by water direct to St. John's?

A. Yes.

Q. And I understand that your recommendation is really to the Canadian National Railways that it should establish a water route?

A. Yes, from Sydney ---

Q. Again you say "Sydney" that is North Sydney?

A. Yes. We consider that they should consider a water route from either of the three ports, Montreal,

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Halifax or North Sydney. Let me give you an illustration: As we contend in our brief approximately 40% of our population is located on the Avalon Peninsula, and if we include with this all of the South East coast population and the Placentia Bay areas, which places are now being served by coastal steamers operating from St. John's, we contend this: That by bringing in this freight by water, the freight could be picked up at either Halifax, Montreal or North Sydney by some steamer. That would involve one loading. It could be brought to St. John's where it will be noted, we have recommended that possibly the Admiralty property with its quays and other dock facilities could be used; that the Canadian National Railways will build a small spur approximately 200 yards from the present main line to those quays which would enable them to place cars by the side of these vessels. The goods could then be discharged from the vessels right onto these cars, and they could be delivered to railway points. Other freight intended for these coastal areas could be picked up by the coastal steamers from these quays and delivered to the various ports of call. Consequently, the amount of handling is reduced 100%.

Q. Cut in half?

A. Yes.

Q. 50% .

A. Yes, but 100% sounds better.

Q. That clarifies fully the recommendation at the bottom of page 3 and top of page 4; that is

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the recommendation?

A. May I add one more thing. I think the recommendation that the Board of Trade is trying to make to the Canadian National Railways is how best they can improve and expand the present existing facilities. We have here in mind that our traffic will be disrupted to the least possible extent by this recommendation.

COMMISSIONER ANGUS: Q. In that connection to go back to your first paragraph, I suppose the fact is that the removal of coastal traffic has changed the situation so that it does threaten to disrupt your local industries, and your contention is that the Canadian National Railways should not adhere to any sort of rigid application or a rate but keep in mind this existing situation and look to tempering the wind to the shorn lamb?

A. That states the position in the first paragraph very well. You see, prior to Union, and certainly prior to the outbreak of war, the tariff that we had in this country was the same for goods of American origin as for Canadian origin, and our logical market was the United States, and I am rather thinking that if Union had not come about, our imports from the United States where merchandise has come into free supply, -- our purchases from the United States would be considerably in excess of what they would be from Canada. Our facilities in the past have had to provide for the flow of traffic from the United States, England and other

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European countries into St. John's for distribution to other parts of the country. Logically, because of that we have 70% of our people on the North East coast and most local industries there. Now, because of the tariff barrier in Canada, our logical and natural source of supply is in Canada, and we are buying our merchandise from Canada. Because of this, the Canadian National Railways will have to provide considerably more facilities, rolling stock, steamers or whatever the case may be, to handle the additional traffic which has to come from the mainland into Newfoundland.

MR. COVERT: Q. Now, on page 4 of the brief at the top of the page, the first full paragraph you say that "Ultimately, the railway will have to provide for this province two ships constructed in such a manner as to carry railway cars. One of these would operate on the West coast and should be able to carry some thirty or forty automobiles. In view of the proposed road developments this vessel would, without doubt, be taxed in order to carry passengers and automobiles, but the second vessel, also equipped to carry rail cars, would be able to carry the bulk of the freight which would of course be routed to the East Coast". Would you clarify this paragraph indicating how it would work and whether or not it would involve a change-over to standard gauge railway?

A. No, I do not think that we suppose that the

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Canadian National Railways is going to provide Newfoundland with a standard gauge railway. I do not know what the cost would be, but I think it would be considerable. However, we do hope that some day ferry boats will be provided and I understand they will be. That recommendation means that some means will be made available for carrying railway cars on those boats whether on standard cars or narrow cars. These would be loaded at Sydney on these boats, whether they be narrow gauge cars or all standard gauge cars, and brought over here so that handling and breakage will be eliminated. By doing that, you automatically remove the necessity to have to break bulk at Sydney or Montreal, load it aboard ship and discharge it from ship into cars. This could be done even if one of the railways were standard and the other narrow. The cars could be unloaded, if they were standard, on to a standard gauge spur alongside the main narrow gauge railway and you could place the cars side by side and it would only be necessary to remove the freight from one car into the other.

Q. That has been done before in Prince Edward Island before they shifted from the narrow to the standard gauge?

A. Yes.

Q. And that is what you have in mind by that recommendation?

A. Yes.

Q. Now, would you turn to page 5 in the first

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complete paragraph at the top of the page you say"

"it would be a serious disruption if this section of our Island, containing so large a percentage of our population were not permitted to enjoy freight rates equal to the Western half of the Island"

You are referring there to the Avalon Peninsula and the North East Coast?

A. Yes.

Q. Now, will you explain just what you mean by that paragraph, Mr. Miller?

A. At the present time, if we deal with the freight structure that the Canadian National Railway has set up , we have zoned the Island into three zones. Port aux Basques would be Zone 1. Port aux Basques would be zone 1 because the handling of traffic finishes after it has been discharged from the steamer that brings it across the straits. Zone 2 is that part of the railway line from Port aux Basques, that is where we have to start to load the cargo unto railway cars, from there as far east as Kitty's Brook. Kitty's Brook is almost at the foot of the grade where you go up the Gaff Topsails.

Q. In the Topsaid Area then?

A. On the West side. Zone 3 is all of the railway line from Kitty's Brook to St. John's. In our brief where we have tried to suggest that the movement of traffic by water to the Eastern section of the Island would be more feasible under present conditions than by the North Sydney, Port aux Basques

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and rail route, we contend, at least our contention is that because we have 70% or more of our population on the Eastern section of the Island that the rate that we hope ultimately to have to pay on the East coast would be the same as it is on the West coast. The Canadian National Railway method of determining rates is covered by the number of railway miles from the point where all freight originates. Because we are unfortunate enough to be on the Eastern section of the Island and consequently the furthest removed from the mainland, we contend we should not be penalized for the reasons that I have already stated, that 70-75% of our population live there, our local industries are for the most part concentrated there, and perhaps all or a large part of our fishing is located on the Eastern section of the Island.

Q. That is the situation obtaining prior to Confederation. Is that something that the railway established, or is it something new that the Canadian National brought in?

A. I should know the answer to that. It may be the zoning system they had prior to Confederation. That is of little importance at this time because, you see, by arrangement the Newfoundland railway rates--and this may surprise a lot of people--the Newfoundland railway rates on commodities was the same from North Sydney to St. John's as from Halifax to St. John's, by water.

Q. Would you please repeat that?

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A. The rate structure we had in this Island prior to this Spring was this:- The Newfoundland railway's charge from North Sydney to St. John's was the same as the water rate from Halifax to St. John's although the mileage distance is considerably greater. It was almost the same as that coming from Montreal to St. John's which is twice or more than twice the distance that North Sydney is from St. John's. Consequently most of our traffic obviously moved by water. Our source of supply was the large Provinces of Quebec and Ontario. If we could move it from Montreal to St. John's by water, we certainly would not move it by North Sydney by Canadian National, paying inland costs and then paying the same costs on to St. John's by rail.

Q. My understanding of this paragraph is that it is the effect on shipments coming from outside the Province that worries you more than the zoning within the Province?

A. Certainly.

THE CHAIRMAN: Q. You mean goods coming from other parts of Canada?

A. Yes.

MR. COVERT: Q. If that zoning system was in effect before, there would be no difference in that except that, as I understand it, perhaps the rates had been lowered somewhat in those zones since Confederation -- that is traffic within the island from one zone to the other. But it is the change in rates from Provinces outside and the routing of traffic via Port

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aux Basques that worries the Board of Trade?

A. That is right. We state that here -- "all rail movement" -- that means traffic outside the Island into the Island.

THE CHAIRMAN: Obviously, that makes a difference. The place or origin in the future are going to be in another direction.

COMMISSIONER INNIS: Q. Did you say the rate from North Sydney to St. John's by rail is the same as from Montreal to St. John's by water?

A. I said "it was".

MR. COVERT: Q. Would it be true to say that the through rate from Montreal by rail and water was the same as the rate from Montreal to St. John's by water?

A. The comparison I gave just now was prior to April 1st. At present all through rate from Montreal, regardless of whether it is all-rail movement by Canadian National facilities or by privately operated Steamship service, is in the main identically the same.

Q. That is because of the Agreements referred to yesterday?

A. That is correct.

COMMISSIONER INNIS: Q. Just for my curiosity, would the rate from Halifax by rail be the same as by water?

A. I think it is.

MR. COVERT: Q. Would you turn to Page 6 in your memorandum. That long paragraph -- "Special Reference to Flour and Feeds". It would seem that you

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are satisfied with the present arrangements, but you wish to have them on a permanent basis? Is that the situation?

A. That is the request we make, that this arrangement which, I think, is entirely different from privileges allowed on the mainland, has been granted to us and for the important reasons we have set forth, we hope to have an assurance that it will become a permanent arrangement.

Q. By certain Orders in Council that were made applicable to the Province of Newfoundland?

A. I am not a traffic expert. I may make some mistakes in my statements, but my understanding is that they have been extended to Newfoundland with one exception -- that is, the subsidies on freight do not apply to the movement beyond the rail terminus via coastal steamers.

Q. Could you give me that again? Exactly what do you mean?

A. The subsidy ends at the Railway terminal. To give you an example -- suppose there is a shipment of freight intended for St. Anthony, on the top of the Island; the logical system of delivering that would be to bring the shipment in by rail to Lewisporte. Lewisporte is one of the terminals for coastal steamers. It goes to St. Anthony. The railway charges twenty-eight cents over and above the carload rate to all Northern steamship points. There is no subsidy applied to the twenty-eight cent cost, but the subsidy is allowed to Lewisporte. In other words,

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the special freight subsidy that is allowed on the mainland does not apply to people in Newfoundland who do not live on the railway line.

Q. Do you know whether that is different to that applying in other Provinces, or whether that is due to the peculiar lack of transportation facilities on the Island of Newfoundland?

A. I would not know what is happening on the mainland.

Q. It is your suggestion that there is a difference in the subsidy under the Freight Assistance Act?

A. Yes.

Q. Now at the bottom of the same page you say:- "The export or furtherance rate on carload shipments of flour which were in effect prior to April 1st are presently permitted on shipments routed to Halifax and Sydney for furtherance to Newfoundland by local vessels. This arrangement, we are told, is a temporary one, and might be terminated next year. We earnestly request this might also be continued for an indefinite period." Again, my understanding is that you are satisfied with the present arrangements which are in effect but which you fear will be discontinued. Have you discussed the matter with the railways?

A. I do not think the Board of Trade has discussed it. We know it has been made effective to us from April 1st, but I am afraid, from what I am told that it will be discontinued. And for the reasons we have

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set forth, we ask that it be considered to be continued for an indefinite period.

Q. Page Seven. That is dealing with the same subject matter, is it not? You say:-

"It is the practice of the Canadian National

Railway to add fifteen cents to the through rate for trans-shipping flour to the South Coast ports."

Are you looking at Page 7, Mr. Miller? Is that dealing with the same matter?

A. No, that is entirely different from the recommendation in the previous paragraph.

Q. Perhaps you could explain the export and furtherance rate. I want to find out exactly why it is suggested that it is going to be discontinued? Is it a non-paying rate? Is that the argument?

A. That could possibly be the argument.

Q. Is it regarded as a low rate now?

A. It is.

Q. It is for that reason, I suppose, that you feel it is going to be discontinued?

A. As we have said there, it is known as a furtherance or export rate. Normally we are not entitled to it, but it has been extended to us and for the reasons we have set forth, we are recommending that it should be continued for an indefinite period.

COMMISSIONER INNIS: Vancouver will be interested to know if it is continued.

Q. Take the next paragraph. It seems to be the suggestion that the steamers cannot carry the flour

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at the present rates, but you want them to do so.
Am I correct in that?

A. Are you referring to Section 3?

MR. COVERT: Q. Just prior to that.

A. That is part of our argument why the furtherance rate should be continued. One of the things particularly that have been closely identified with our fisher^{ies} and our economy has been these local vessels. Because of the difference in the delivered price into Newfoundland on flour and f.o.b. Sydney or Halifax, because of the furtherance rate which they enjoy, it is possible for the vessels to carry this flour to the isolated places at a profit to the vessel owners. The through rate on flour is based on the domestic rate.

Q. It seems to me the Brief says:

"If we take into consideration loading costs, it is doubtful if the railway could carry this traffic profitably."

A. We are referring to the shipments that the railway brings to the railway terminal points and from where they may have to re-distribute it to the coastal areas by the coastal steamers. On these shipments on which we enjoy carload rates, I am referring to the "drop off" shipments; the Canadian National Railway are now carrying it carload rates to coastal points and only charging fifteen cents and twenty-eight cents per one hundred pounds, for additional carriage on the coastal service. We take no exception to that. We think the coastal service will

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will find it difficult if not impossible to carry the traffic profitably. That is the contention on that point. We mention that because in the following larger paragraph we state that by enjoying the furtherance rate our local vessels can carry the flour from those two ports to our isolated places and consequently relieve the Canadian National Railway of the expense of paying to deliver it by coastal steamers.

Q. You say they are carrying it at a rate below cost and it should be done by the coastal vessels, and that they should abandon it?

A. That is part of our argument. We are not suggesting that they abandon it -- there may be certain times of the year when we would be glad to have them carry it.

Q. The present operation since the Canadian National Railway took over, I suppose, is carried on in the same manner as it was before in this respect?

A. Yes.

Q. Not changed?

A. Identically the same.

Q. Section 3 of the Brief on Page 7. You say: "We strongly recommend that the requirements of our coastal service should be carefully studied and reduce the cost of operations."

Now, am I correct in assuming you mean the railway should build these warehouses you refer to, is that correct?

A. Yes, that is our contention that the railway should. We have suggested it may be a means of improv-

Mr. Miller.

ing the service.

Q. On that same subject, is it your contention that larger vessels be used less and smaller vessels should do the work at certain times? You say:

"At the present time steamers which cost hundreds of dollars per day to operate are calling at many small communities, and are frequently delayed there by weather conditions."

My understanding from that is, here you have large vessels which cost so much per day and they have to stand over; and that their work could be taken over by smaller vessels? Is that correct?

A. I think what we are trying to suggest there is that there are types of smaller boats which would be suited only to carry freight and we have suggested one or two possible centres. If the freight for certain areas was discharged at one central point where the Canadian National Railway would have storage facilities, the freight for all these vessels which we are thinking about could be discharged at this central point and could be eventually delivered by smaller vessels. We are not suggesting that the regular coastal steamers should not continue to call at these ports; because these small boats would not be fitted to carry passengers. The regular vessels are responsible for delivering passengers and mail. At least the time element would be reduced because it would only be a question of dropping mail, picking up passengers and going on. They could do that even if the weather was not suitable. In places where there are no wharf facilities, people

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have only one way of getting their freight. The boat will anchor at a place; these people have to go out in open boats to take delivery of that freight from the ship's side. You will appreciate that weather conditions have to be suitable for that. By relieving the ship of the necessity of having to wait and wait to deliver the freight, the ship can make the calls more quickly and would give much speedier transportation on our coastal service than we have ever had in the past.

Q. I want to get your first recommendation. You say you believe it would be possible to establish two centres on the South and North East Coasts and from which small vessels comparable to the Clarenville boats could operate. You say there could be centres where there would be warehouse facilities erected and you say that this would speed up the service now supplied by the larger steamers because they would not need to stay there. You say the people would have to come in small boats to the larger ones and take off the cargo for that particular place; and if the weather was bad that could still be done. I am trying to find out how that would not delay the bigger steamer?

A. Take a case like this:- On the South Coast where there are no harbour facilities; a ship may have one hundred or two hundred packages of freight; if the weather is not suitable to deliver it in open boats, then that ship must remain there until such time as the weather is suitable to discharge that cargo.

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But if you deliver it at a centre, all the ship has to do is to deliver passengers and mail, which the ships' own boat can do and consequently the delay at that port might be five or ten minutes instead of a day or a number of hours.

Q. It would release the larger steamers really to do the work for which it is fitted and would not be delayed at small ports?

A. That is right.

Q. Now, this would involve, I presume, the supplying of additional small boats to take the goods from the central point?

A. Two small boats we figure.

Q. It has been suggested, Mr. Miller, that you might illustrate that by showing it on the map. Could you indicate on the map, Mr. Miller, what you have in mind?

A. I would like to suggest that the Canadian National Railway, and the Newfoundlanders who are now members of the Canadian National Railway -- I refer to Captain Dalton -- certainly could supply that information far more competently than I could. I will go so far as to make possibly one suggestion. We are continually in the Board of Trade receiving complaints from along the south coast area. As you will note all of this coast here is pretty rough and not too many good harbours in this section here. As a result the steamer plying between Port aux Basques and Argentia during certain periods of the year frequently takes three and four weeks to go from that point back to Argentia. We are suggest-

Mr. Miller

ing that perhaps there might be a central point.

Q. On the south coast?

A. Yes. And another here on the north east coast.

Q. Now then, Mr. Miller, would you turn to page 8, the third paragraph on Page 8. Now you suggest that the Canadian National Railway should continue the arrangements which existed prior to Confederation. My understanding is that at that time there was practically unrestricted mixing and that freight was moved at a rate comparable with the present 5th class rate.

A. That is correct.

Q. And now the arrangement is that the goods are carried at the rate for the goods carrying the highest rate in the car. Is that correct?

A. Yes.

Q. And your recommendation is that you go back what it was prior to April 1st. Now I wonder if the Board of

had given consideration to the effect that that might have on, say, the other Maritime Provinces. Would they not be apt to allege discrimination?

A. I do not think we overlooked that possibility. It is only natural, of course, that we are trying to fight our particular battle, not that of the rest of the Provinces. We have gone on there to explain a number of reasons. Conditions in this country are so different that we felt we were entitled to special treatment, and this, I think, is one of the cases for special treatment, and if you read our argument here, there are many reasons why we felt justified in requesting that Class 5 rate.

Mr. Miller

Q. I have read the brief, Mr. Miller, very thoroughly, two or three times, but what I wanted to do was to bring to your attention the possible difficulties to see if you have any suggestion of how they might be overcome.

A. I think they could be overcome, could probably be overcome by the fact that it is dealing mostly with importations from the United States and from England which we want to move to our industrial areas at the least possible cost. Now most of these commodities are not going to be sufficiently large enough to move each of them by carload lots. If they are moved by less than carload lots obviously those industries are going to have increased cost for shipment of goods. We contend that St. John's would be the natural port of discharge for ships plying between England and the United States and the rest of the world from here; also it should be permissible for these industries and the part of the trade located in other sections of the Island who are distributing them to remote centres to move those goods over to them at the least possible cost. The thing the Board of Trade is trying to inaugurate is some method whereby we can keep this cost of distribution within the Island down to a minimum. If we do not it must reflect, as it does right now, in the cost of living. Where our people are scattered over thirteen hundred settlements the question of distribution is going to be of very great importance to us, and unless we can find ways and means of moving the

Mr. Miller

stuff at the lowest possible cost, the person who is going to be penalized is the consumer, in the long run.

Q. Mr. Miller, I want to make it clear that the mixing privileges that apply in Newfoundland are the same as apply in the Maritimes, and Ontario and Quebec; it is only in the Western territory that there is a different one, a less restricted mixing privilege.

A. Do you see any reason why we should have any fewer privileges than the west, perhaps we might have more.

Q. It is more restricted in the West, the West than in the East, and that is the one that applies in Newfoundland.

A. We feel our contention is well justified.

Q. Now Section 4 deals with the movement of vegetables within the Island. Your recommendation appears in Paragraph 1 on page 9:

"It would, in our opinion, greatly facilitate the agricultural industry if the Canadian National Railway erected a number of warehouses at certain selected points, suitably designed for the storage of vegetables, and possibly containing some refrigerated space for eggs, poultry, etc."

That seems to suggest that the railway should be used as an instrument to encourage the agricultural industry. I am wondering if this was a feasible business proposition. Would it not be done by someone else other than the railway? I wonder what you had in mind.

Mr. Miller

A. Might I say that it is the hope of the Board of Trade that when Mr. Firweather, who was here recently from the Canadian National might have seen fit to suggest something along the lines we are suggesting ourselves. On the West Coast of our Island a large number of people are engaged in farming. It is not necessary for me to say that they will be more vulnerable to the competition from Prince Edward Island than they have ever been. We would like to hope that by the erection of these warehouses, they will find it easier to market their produce. Over on the West Coast they are removed from probably most of the centres that will consume their produce and as a result some system has to be worked out to move that into the market in the other parts of the Island.

Q. I do not believe you are suggesting that this is an ordinary railway facility that they should supply?

A. Yes.

Q. You are?

A. Yes.

Q. Do you know of places where they have facilities of this kind?

A. I am afraid I do not know, but might this not be considered the same as, say, the handling of wheat in the Western Provinces, where I presume the Canadian National Railway furnish grain elevators.

COMMISSIONER INNIS: They are compelled by statute do to do so.

THE WITNESS: I think I should explain this, that

Mr. Miller.

this produce will originate from the settlements not served by the railway line. There are probably small feeder roads. Now I do not think the Canadian National Railway is going to stop a car or hold a train until it is convenient for the farmer to lift his merchandise, that is a reason for considering warehouses as well as elevators.

THE CHAIRMAN: Q. What use will be made of the warehouse by the farmers?

A. For the storage of their vegetables.

Q. For storage pending shipment by the railway primarily?

A. Yes.

MR. COVERT: Q. Now with respect to the tourist industry dealt with in Section 5, you make no specific recommendation other than to say that this phase of the transportation business should receive careful examination. There is nothing more that you wish to add?

A. No.

A. Now with respect to the appendix to the brief, are you in a position to deal with that?

A. I would rather not. This has been prepared, as you note, by Mr. Lewis Brookes. If this Commission would like to deal with this Appendix possibly it could be arranged to have Mr. Brookes here this afternoon.

THE CHAIRMAN: Dealing with transportation from points in Newfoundland to foreign markets.

MR. COVERT: As I understand the appendix there are two main movements, one which is entirely by vessel and about which they are not concerned as far as

Mr. Miller.

recommendations to this Commission are concerned, but there is one that does involve some rail movement and I had a few questions that I wanted to ask.

THE CHAIRMAN: You say there is one movement that does require rail?

MR. COVERT: It is from the first part of the brief, at the bottom of the first page. They divide the markets into (a) and (b), one by direct vessel and the other transhipments via Halifax and/or New York.

THE CHAIRMAN: Via Halifax? That is a water route.

MR. COVERT: It may not be. At least my understanding is that it may be taken to Halifax not necessarily via water.

Q. Do you know whether that is so?

MR. LEWIS: I think it is a water movement. I am inclined to believe their argument there is they they contend they should be entitled to a depressed rate for the cost of the carriage from points within this Island to Halifax.

MR. COVERT: The reason why I say this is that on page 3 of the brief it says:

"Newfoundland salt fish moving to markets under (b) should receive a freight concession on an equal basis to that granted movements of salt fish from points on the mainland to export points". That is not clear to me. I thought perhaps you could help us there.

THE CHAIRMAN: Q. I notice, looking at category

Mr. Miller

(b) including transhipments via Halifax, it says there in the first paragraph that all sales are on an F. A. S. basis.

A. Free along side.

THE CHAIRMAN: I am not sure it is necessarily "Free along side."

MR. LEWIS: That is right.

THE CHAIRMAN: Q. I do not see where shipments by rail comes in any category (a) or (b). Is there any such thing, Mr. Miller?

A. Mr. Chairman, I do not feel I am qualified to answer that, as I did not take any part in preparing it.

THE CHAIRMAN: Can anyone inform us on that?

MR. DYSART: Perhaps I could throw some light on the situation. I am instructed that we did not receive any of the shipments in question for rail routing.

Q. Then there is a recommendation on page 2 that says that there is an additional charge of 50¢ per cask which shippers are at present required to pay over and above the regular freight rate by direct vessel to load at the port which should be at least partly absorbed by the Canadian National Railway in accordance with its policy of providing special depressed rates to cover similar situations in other provinces, and because there are no facilities for movement of fish by rail. I am sure I do not know whether that - it seems to me that the additional charge of 50¢ per cask which the shipper pays is paid for the privilege of direct vessel loading at the port.

THE CHAIRMAN: What port is that, the railway port?

Mr. Miller

MR. COVERT: I think that it would be the shipping port.

THE CHAIRMAN: It is all so very confusing to me. The shipper pays this additional charge of 50¢ per cask when the fish is loaded at the port by direct vessel, and the recommendation is that that 50¢ should be at least absorbed in part by the Canadian National Railway, and the reason given is that that would be in accordance with the policy of the Canadian National Railway of providing special depressed rates to cover similar situations in the other provinces. That all seems to me to say that because there are no facilities for the movement of fish by rail here the Canadian National should absorb the cost, that is to say, that because you have a railway here it must help meet the expense of shipping by vessel. I wonder if there is any one here who could clear up that?

MR. COVERT: I am wondering if it has anything to do with ports that are served by the Canadian National Railway by coastal steamer. It does not seem to be very clear to me, and it might be cleared up very easily if the full facts were given.

THE CHAIRMAN: Do you know if anything is being done to cover a similar situation in other provinces?

MR. COVERT: That is one of the things I want to find out.

THE CHAIRMAN: If you cannot find it out today, perhaps you could find it out later.

MR. COVERT: Mr. Lewis, perhaps you could have some one give us some information on that, or have you any instructions?

Mr. Miller

MR. LEWIS: I have not been instructed at all.

THE CHAIRMAN: On page 30 of this appendix in that enumeration 2, it says that what is being asked for is already being done in some of the other provinces to cover similar situations there.

MR. COVERT: Yes, my lord.

THE CHAIRMAN: It is very important to have that, not necessarily to-day, but sometime.

MR. COVERT: If we cannot get it to-day, we could have it sent on.

MR. LEWIS: I think they should have a representative here to explain the brief. I have just been instructed that they have sent for someone; he will be here in a few minutes.

MR. COVERT: That is all I have to ask.

CROSS EXAMINATION BY MR. DYSART

MR. DYSART: Q. You say on page 1 of the brief Mr. Miller:

"that any attempt to apply unaltered a mainland system of transportation to this Island would seriously disrupt long established balances with serious consequences to our industries and people".

Would you say that there has been any physical effort or attempt on the part of the railway authorities to apply unaltered a mainland system of transportation in Newfoundland that you are aware of?

A. Well, I can quote one case, that is the difference between the privilege we had in connection with mixed cargo shipments.

Mr. Miller cr.ex.

Q. That is the one you have cited. Do you know of any others?

A. At the moment, I am afraid I do not.

Q. It is true, is it not, that operation of the Newfoundland Railway has been under the control of the Canadian National Railway for a period of only 6 months?

A. Yes.

Q. In that period, has the cost of living in the Province of Newfoundland gone up or gone down?

A. I would say it has gone down for very obvious reasons, which certainly have nothing to do with the railway. Prior to Confederation, we had duties imposed on certain food and clothing items, and other items that are used in compiling our index for the cost of living, and now, in regard to goods imported from Canada, these duties have been removed.

THE CHAIRMAN: Q. The cost of living has gone down as stated on Page 14 of the Province's brief?

THE WITNESS: Yes.

MR. DYSART: Q. Have railway rates gone up or down, the rates charged for the transportation of freight to and from Newfoundland?

A. May I answer it this way? There has been a reduction in the rates for movement of traffic to the Island but within the Island there has been as far as I know, no reduction.

Q. Well, generally speaking, the level of rates charged by the Newfoundland railway, are lower than they were prior to April 1st?

A. I believe that is only true as I have said, for traffic moving into the Island.

Q. Are the rates higher for movements outward bound than they were before?

A. I do not think they are any higher.

Q. So that balancing or averaging the rates, it is true to say that they are down?

A. Once more, I would repeat that this reduction, as I just said, is for traffic moving into the Island, that is on those shipments into the Island.

Q. What about from Canada?

A. From all parts of Canada.

Q. What about passenger rates?

A. There has been a substantial reduction.

Q. Is it not a drastic reduction?

A. Well, they went down when we entered Confederation, but after we came into Confederation you placed an increase of 15% on them immediately.

Q. Is it almost cut in half?

A. It is quite a reduction.

Q. You speak about the concern you have in that respect?

A. Yes, because of our people, I think I should insert one thing. That reduction on passenger rates only applies to traffic on the railway lines. There has been, as far as I know, no reduction on the coastal boats.

A. That has no influence on the carriage of freight, the rates in respect to carriage of freight -- they are not compensatory rates. You would not

Mr. Miller cr.ex.

expect a reduction in those rates, would you?

A. Well, I do not say what - supposing for argument, supposing you lived in St. Anthony, as pointed out on the map recently, and I lived in Bonavista, and it cost me \$10.00 to come from Bonavista to St. John's and it cost you \$25.00 to come from St. Anthony. Now because of the reduction in rates applying on travel from Bonavista to St. John's I can come to St. John's for \$5.00, but it still costs about \$25.00 to come from St. Anthony. Are not these people entitled to kick?

Q. Are you not suggesting that the people on the coastal areas have reason to complain that a similar reduction does not apply in their case?

A. Yes, the people living in the coastal areas particularly have reason to complain that a similar reduction has not been made in passenger rates on coastal steamers.

Q. What you are saying in effect, Mr. Millar, is that people in the outlying regions should have cheap transportation irrespective of cost?

A. Yes, certainly.

Q. But you are not suggesting, I trust, that from a business point of view, from a business operation that the management of the railway, because in one instance it is appropriate to reduce one rate, should automatically reduce all others?

A. May I reply to that by saying that I believe most people in Newfoundland feel as I do, that people all over this Island feel that both the Canadian National Railway and all the appropriate authorities should be

Mr. Miller ex.

convinced of one thing, that the railway and the coastal steamers are such an important part of this Island's economy that the question of operating those services and the cost of operating those services should not be taken into account at all.

Q. That is the point I wanted to get from you; that it is not a question of economic operation at all. The position of the Board of Trade is that irrespective of cost the most efficient and most extensive application of transport facilities should be made.

A. Yes.

Q And that is a matter of government policy?

THE CHAIRMAN: To what extent is the Canadian National Railway involved in this coastal steamer service?

MR. DYSART: I believe, my lord, without seeking further enlightenment, that we operate all of the coastal steamers.

THE CHAIRMAN: You operate all of them?

MR. DYSART: Yes.

THE CHAIRMAN: Those are the boats which you have recently acquired from the Newfoundland Railway?

MR. DYSART: That is one way of putting it Mr. Chairman. The government of Canada took them over under the terms of Confederation, and promptly entrusted them to the Canadian National Railway for operation.

COMMISSIONER INNIS: Q. We heard from local people, at least one local person, some drastic evidence about the lack of facilities on those boats. Are they your boats?

MR. DYSART: Yes.

Mr. Miller cr.ex.

COMMISSIONER INNIS: Well, if the overcrowding, of which evidence was given does exist, and I am not disputing it because I have no information at my disposal, that is something that the management of the railway will have to take under consideration and remedy if at all possible.

MR. DYSART: We have had the facilities for only 6 months, and before any long range policy can be undertaken, it will naturally be necessary to conduct extensive study and give much consideration by those who are experts on the subject before ultimately any changes will be made; but I would like to assure the Commission that the management of the Canadian National Railway is alive to the situation, and is presently engaged in the study and consideration to which I have referred. As a matter of fact, we are conducting several studies with respect to this Island. We have here the vice president of research and development and his associates, and we are endeavouring to inform ourselves as to the requirements and other matters relating to the services in this province.

COMMISSIONER INNIS: Q. Coming back to your last question as to the policy of government, I understand from the answer that you gave previously to that that you agree ^{that} the policy of the government as you understand it is to support the railway irrespective of cost; that is to say, the railway is to be regarded as ^{an} instrument of government policy. That is not the statement which was given by the government yesterday. They specifically deny that it was a matter of government policy.

A. I would not like to question the government from that point but I do think that, as far as trade is concerned, the thing that we must advocate the most for this country, and the people will agree, would be the lowest possible freight rates, the lowest possible passenger rates and the cost to be borne as far as we are concerned, we do not care by whom.

MR. DYSART: Q. And the highest degree of efficiency?

A. Yes.

COMMISSIONER INNIS: My point was: is there some possibility of applying some sort of policy. My point in raising the question about reduction in rates was that as a Newfoundland I would obviously feel that those people who travel by steamer are certainly as much entitled to a reduction as those people who live on the railway line. I cannot help but make that statement.

THE WITNESS: We contend that if the Canadian National Railway loses money in the operation of our coastal steamers, I think that is part of the terms of union.

MR. DYSART: Of course, you are aware that the Terms of Union as translated into the Statute Amendment Law of Newfoundland, which was one of the enactments of the Parliament of Canada, designed to give effect to the terms of union, requires the reduction or the application to the transportation of freight by the

Mr. Miller.cr.ex.

railway of the provisions of the Maritime Freight Rates Act, in so far as those provisions are applicable but it, as far as I can see, makes no reference to a similar principle to the coastal steamers. Whether that was an oversight or not is not for me to say. This reduction to which I refer are the rates made pursuant to the statutory direction under which we were obliged to apply them because of the Freight Rates Act, and that is why the freight and railway passenger rates were reduced and the steamship rates left on their present basis. For how long, I would not care to say. It might well be that consideration is being given to improvement in the services, the lowering of rates, or the increasing of rates, I have no instructions on that; but the point which I am endeavouring to draw to your attention is that the cost of living has gone down since Confederation; railway rates have gone down, perhaps not as much as you would like; there is no aggravation of your distribution problem that you were speaking of some time ago, in fact it should be better in so far as the all rail route is concerned.

A. I am not speaking of the all rail route.

Q. Has not your distribution problem been materially improved from what it was prior to Confederation? If you wish you can take the word "materially" out and substitute another word.

A. The answer to that question is that the cost of operation of the railway at the present time is no worse than when the railway operated it.

Mr. Miller cr.ex.

Q. I suppose you predicate your suggestion, the plan to construct storage space, on the theory that that would be of benefit to the Island and not that it is the responsibility of the railway or that it would be a profitable operation?

A. I said, I think, that we were suggesting that it might be profitable to the people and to the Canadian National Railway.

Q. If you believe it would be profitable to the Canadian National Railway, would you tell us in what way?

A. Obviously it would appear to me that the more traffic the railway would handle, the more profitable the railway operation would be.

Q. I suggest to you that that is a fallacy; that there are many instances in which increased traffic has not increased the net. I do not know whether it would in this case. Now then, there is only one other item I wish to discuss, Mr. Miller, and that is relating to Page 3 of your brief where you state that:

"it would be considerably cheaper to move all this traffic by water from Montreal and Sydney

to St. John's for distribution to these areas..." You are aware, of course, that under the Agreements which I filed yesterday, that traffic can be moved from Montreal and Halifax at the present time?

THE CHAIRMAN: It can be done?

MR. DYSART: Yes. The Agreements contemplated

Mr. Miller cr.ex.

its being done. The charge is the same as the all-rail rate; and out of Sydney there are export or furtherance rates on flour, feed, cement and salt and maybe other commodities which would permit perhaps a more restricted but a similar movement out of that port by water.

Thank you very much, Mr. Miller.

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THE CHAIRMAN: We have one other Brief of which we know and in addition we have some more evidence on this one point?

MR. COVERT: I understand, Mr. Chairman, that the witness will be here this afternoon. I have just been advised officially that the Buchans Mining Company Brief has been withdrawn. There is just one other Brief as far as I know, that is the Associated Newfoundland Industries Brief. One of the Briefs which was filed has since been withdrawn.

THE CHAIRMAN: As far as this present Brief is concerned, there is only one other point?

MR. COVERT: That is right.

(The Commission adjourned at 1 p.m. to meet again at 2.30 p.m.)

Page 6544 follows

St. John's, Newfoundland,

Thursday, September 29, 1949

AFTERNOON SESSION

---The Commission resumed at 2.30 p.m.

MR. COVERT: Mr. Chairman, you will remember this morning in dealing with the brief of the Newfoundland Board of Trade there was an appendix dealing with the transportation of Newfoundland salt codfish from points in Newfoundland to foreign markets. Mr. Lewis Brookes is here to answer some questions on that, and we propose calling Mr. Brookes.

LEWIS BROOKES, called

EXAMINED BY MR. COVERT

MR. COVERT: Q. Mr. Brookes, your name is Lewis Brookes?

A. Right.

Q. And what is your position with the Newfoundland Association of Fish Exporters?

A. Assistant Manager.

Q. Of the Newfoundland Association of Fish Exporters, Limited. That is the Association which has prepared the appendix to the Newfoundland Board of Trade brief?

A. Yes.

Q. Now, this Association, Mr. Brookes, as I understand it -- they are an official government organization; is that correct?

A. Not quite correct. We are a trade organization, shall I say, with the government giving us certain powers over the marketing of the production of the salt fish of Newfoundland. We are primarily a trade organization with certain government powers.

Q. From the first paragraph of the brief I notice you have "exclusive rights for exporting and marketing the whole production of Newfoundland salt codfish."

A. That is correct.

THE CHAIRMAN: Q. Where is that; in the first paragraph of the appendix?

A. Yes.

MR. COVERT: Q. Now, Mr. Brookes, would you turn to page 3 of the appendix? In the second paragraph of that brief you say:

"It is our understanding that there are special concessions applicable to the movement of fishery products by rail throughout the maritime provinces to export ports."

Could you tell the Commission what those special concessions are?

THE CHAIRMAN: Is this referring to page 3?

MR. COVERT: Page 3 of the appendix.

THE WITNESS: I would like to explain firstly that we are rather in the dark here as to what concessions or special freight rates there may be applicable on the mainland on the movement of fishery products, but we do understand that when some fishery products are moved by rail from one point to certain export points, there are special freight rates granted. I believe there is some

20 per cent discount on the regular freight rate granted, but I would like to emphasize, my lord, that we were asked for this brief in a hurry and we are not fully conversant with just what is applicable on the mainland or what we may now be entitled to now that we are part of the Dominion of Canada. We have not had really the time to go into it. You will note, my lord, that the closing point we make is that perhaps some arrangements could be made whereby that very point could be inquired into.

Q. MR. COVERT: Q. Well, at least you feel that there is the point there of the application of the Maritime Freight Rates Act to shipments of fishery products by rail in the maritime provinces?

A. That is so.

Q. Now then, immediately following that paragraph, Mr. Brookes, there is a statement:

"It is the plea of this brief, therefore, that arrangements should be made whereby Newfoundland salt fish moving to markets under (b) . . ."

and that is shipments, I believe, through Halifax or North Sydney?

A. It would be Halifax.

Q. ". . . should receive a freight concession on an equal basis to that granted movements of salt fish from points on the mainland to export points."

Now, in other words, I take it that means if shipments

from any point in the maritimes to an export point such as Halifax moves under a rate under the Maritime Freight Rates Act, then you say there should be a similar rate from any point in Newfoundland to that export point?

THE CHAIRMAN: That has to do with salt fish?

MR. COVERT: Yes.

THE WITNESS: Yes.

MR. COVERT: Q. I want to make sure that you mean that the general freight rate structure under the Maritime Freight Rates Act would be applicable. There may be a different rate for a different distance. Perhaps I could put it this way. Supposing for a point, say, in Nova Scotia, -- Digby or Halifax -- an export rate applies on the shipment of salt fish; that might, for the purposes of argument be a 90-cent rate -- that is probably too high, but I am just suggesting that for the purposes of the argument -- and from a point in New Brunswick, which is further away, it might be \$1.25; there would be a different rate for different districts, but they would both be rates under the Maritime Freight Rates Act. Now you are suggesting that there should be a similar rate, perhaps based on distance, but it should be a rate under the Maritime Freight Rates structure; is that your point?

A. Well, my point, Mr. Chairman, is that if there is a special rate for bringing fish 500 miles as compared to fish which only has to move 100 miles; if there is that privilege, then we here should be entitled to receive it. You say -- the words I think you used were, "under the Maritime Freight Rates Act." I am not conversant with the Maritime Freight Rates Act,

therefore I feel that I should exclude that proviso. My thought is that if there are special rates applying for the movement of goods 1,000 miles to equalize them with the goods that have to move only 500 miles, then we are entitled or should be entitled to whatever is applicable, whether under the Maritime Freight Rates Act or not, I do not know.

THE CHAIRMAN: Mr. Dysart, could you say on behalf of the C.N.R. whether any such arrangement exists whereby salt codfish is transferred by rail?

MR. DYSART: The position with respect to any shipment, whether salt fish or not, moving from a point of origin within the select territory, whether Nova Scotia or New Brunswick or Prince Edward Island or the Island of Newfoundland, moving through from that origin point to a seaport for export, is that it will obtain the benefit of the Maritime Freight Rates Act, and the illustration to which my learned friend refers of a shipment from Digby to Halifax is an example of such a rate; a shipment say from St. John's to Port aux Basques and Halifax for export would receive similar treatment. The rates would not necessarily be equal because of the distance. They would be reduced 20 per cent from what would be applied except for the Maritime Freight Rates Act.

THE CHAIRMAN: That is in effect today?

MR. DYSART: That is in effect today in Newfoundland.

THE CHAIRMAN: That is what you want.

MR. DYSART: I understand, my lord, there are no rail shipments of salt fish.

THE CHAIRMAN: So far?

MR. DYSART: And from listening to part of the testimony of the witness I was under the impression that it was a question of equalizing the water rate with the rail rate "whereby Newfoundland salt fish moving to markets under (b) should receive a freight concession on an equal basis to that granted movements of salt fish from points on the mainland to export points."

MR. COVERT: That is the next thing which I want to take up with the witness to see whether or not his point is, regardless of whether the movement is by land over the railway or by sea, that the same rate should apply.

THE CHAIRMAN: "By sea under the control of the C.N.R." -- who else could regulate their rates by sea?

MR. DYSART: The independent water carriers.

THE CHAIRMAN: I am speaking now of governmental regulations and there are none.

MR. DYSART: The Maritime Freight Rates Act has no application to governmental steamships as yet.

THE CHAIRMAN: Q. Is that your problem. Is it as Mr. Covert understands it?

A. More or less. There are few places in Newfoundland where fishery products can be moved by rail. There are no rail connections; therefore, unfortunately, we cannot avail ourselves of a concession which we would have if the railway were there, but the railway does operate coastal boats. Presumably any concessions applying on movements by rail would also apply on movements by the coastal boats operated by the railway.

Q. You have reference to these only operated by the Canadian National?

A. I wish really to enlarge on that, my lord. For instance, as we pointed out here we have to ship fish to, say, Cuba. Our friends in the provinces of Nova Scotia and New Brunswick, they also have to ship to Cuba, and now the only way, generally speaking, we can ship to Cuba is by moving our fish to Halifax.

Q. By water?

A. By water. We cannot sell to Cuba if our landed costs are higher than Halifax; that is to say, very much higher. We now have to pay the cost of moving the fish from here to Halifax or St. John, New Brunswick. We get no preferential rates or anything, whereas, if I might use the words "our competitors," let us say, in Yarmouth or Rimouski, they can get a special rate to bring it down to Halifax to ship to Cuba.

Q. Who moves your fish from here to Halifax or St. John?

A. Mostly by private carriers. Sometimes there is a rail boat certain times of the year, but it does not call at all the places around the island.

MR. COVERT: Q. Those private carriers, they are not bound by any schedule whatever?

A. They would naturally be bound by conference rates, or whatever they call them.

THE CHAIRMAN: They would be bound by their own conference rates, but there is no government regulation.

MR. COVERT: The coastal rates here are governed entirely by agreement by conference among the various shippers at Montreal coming to Newfoundland, and also certain boats plying between here and New York.

THE CHAIRMAN: Are these C.N.R. boats members of that conference?

MR. DYSART: I have no instructions on that, my lord. I will obtain the information.

MR. COVERT: Q. Then in effect, Mr. Brookes, my understanding is that you feel that those rates by boat, whether they are by Canadian National or by private carriers, should be on the same basis as under the Maritime Freight Rates Act, or the same rates as are enjoyed in the maritime provinces, to give your fish here the same opportunity to get to Halifax as, for instance, some one in Yarmouth or Rimouski?

A. That pretty well covers the point.

Q. Well, then, Mr. Brookes, in the second numbered paragraph on that same page 3, you say:

"The additional charge of 50¢ a cask which many shippers are at present obliged to pay for the privilege of having direct vessels load at their port should be, at least in part, absorbed by Canadian National Railways, in accordance with the policy of providing special 'depressed' rates to cover similar situations in other provinces, and because there are no facilities for the movement of fish by rail."

I think first you have taken this backwards. You say

first "there are no facilities for the movement of fish by rail" -- presumably because the railway does not go to the places where this fish is caught, or salted, or cured?

A. That is right.

Q. And then you apparently say that there is a policy of providing specially depressed rates. Whose policy is that?

A. What I am referring to is this movement of fish, as I understand it, under the Maritime Freight Rates Act where there is a 20 per cent reduction applying. In other words, if there was a railway to the points to which I am referring then fish would move to, say, St. John's or to Port Union, one of the larger central export points; it would move by rail if there were a railway and it would be entitled to whatever rail concessions there were, but there is no railway, so we have certain of these vessels, my lord, to go direct to certain markets in the West Indies.

THE CHAIRMAN: Q. Direct from where?

A. Direct from certain main export points in the country; to get one of the vessels to call at some small places the shipper has to pay 50 cents a cask because there is no way he can move it in except by schooner or vessels like that, but there is no railway that will bring his fish, say, from Little Bay Island or St. Anthony or anywhere to, say, Port Union where the vessel is going.

Q. Then the vessel charges 50 cents a cask for going there?

A. For going to St. Anthony. If there were a railway it would be entitled to some concessions. There is no railway, so he has to pay more.

MR. DYSART: That would amount to a penalty on the Canadian National of 50 cents a cask for not having a railway and in addition they would not get the freight haul.

THE WITNESS: If they had one there --

MR. DYSART: They have no railway at that point so they are not going to get the freight and they would also have to pay 50 cents a cask which would amount to a penalty for not having a railway there.

THE CHAIRMAN: The important point here is the assumption -- assuming that such conditions do exist on the mainland and that the Canadian National, or I suppose the Canadian Pacific, pays compensation to shippers of 50 cents a cask; if they get a vessel to carry out the fish, that does not exist, does it, on the mainland? That is what the brief says, that that 50 cents should be absorbed by the Canadian National Railways.

MR. COVERT: I think this is his point, Mr. Chairman -- please correct me if I am wrong; he says, "Here is a point on the Newfoundland coast which the railway does not serve."

THE CHAIRMAN: There is no railway there.

MR. COVERT: If there were a railway there and they received the same treatment as in the maritime provinces they could get their fish from there to Halifax under the rates existing under the Maritime Freight Rates Act.

THE CHAIRMAN: Without paying the 50 cents.

MR. COVERT: That is correct. Now there is no railway there and the shipper at that point has to pay 50 cents a cask to get a ship to call at that point. Therefore they are at a disadvantage of 50 cents a cask because they are not served by the railway.

THE CHAIRMAN: The point is this, that on the mainland of Canada there is no such compensation paid in such a case by any railway.

MR. DYSART: The actual situation is this -- 50 cents per cask is the actual rate for the water haul.

THE CHAIRMAN: For how far?

MR. DYSART: To Halifax.

THE CHAIRMAN: This brief calls it an additional charge.

MR. DYSART: Our traffic experts tell me that is the rate from the port to Halifax.

THE WITNESS: What I am referring to is this: These direct vessels we have going direct to certain points -- perhaps if I might go back a little bit. A vessel leaves St. John's and goes to certain other points; but when it has to go to certain other points then the shippers at those points have to pay more to have the vessel come there.

THE CHAIRMAN: Q. You have to pay the rate and in addition this 50 cents?

A. Yes. All sales being f.a.s., it is the buyer who pays the through rate, but the shipper pays the carrier 50 cents extra over and above that.

THE CHAIRMAN: You say, Mr. Dysart, that this is different?

MR. DY'SART: The latest information we have is that the 50-cent charge that is imposed on every cask is when the vessel makes a special call at the port.

THE CHAIRMAN: That is in addition to the freight?

MR. DYSART: That is correct. I might say for the information of the Commission that they may be interested to know that the vessels which impose that charge are vessels not operated by the C.N.R. They are operated by the provincial government itself. The government of the Province of Newfoundland.

THE WITNESS: If I may interject, we are not trying to get anything we are not entitled to get. Our whole argument hinges on this, if there are any special rates applicable to the other provinces of which we are not fully conversant -- we have not had a chance to study it -- we feel we should be entitled to receive similar treatment. We know the direct vessels referred to are the property of the provincial government and some the property of private firms; we use more than the one lot.

THE CHAIRMAN: Q. You know that in the other provinces there is no compensation paid by the C.N.R. where the railway does not go?

A. Quite.

MR. LEWIS: If I might elaborate -- some of the direct vessels are merely owned by the provincial government; they are operated now by the C.N.R.

THE CHAIRMAN: Q. Does the provincial government not operate any of these vessels?

A. They are owned by the provincial government but they are operated by the C.N.R.

MR. DYSART: So that the record may be straight, I may say that when I suggested to the Commission that the ships were operated by the provincial government, I was making the point that we are merely acting as agents for the provincial government. We happen to be their agents but that does not go in the books of the C.N.R.

THE CHAIRMAN: These boats your company operates for the government are where?

MR. DYSART: It is an auxiliary fleet owned by the provincial government but operated by the C.N.R. on a commission basis.

THE CHAIRMAN: Operated between Newfoundland and where:

MR. DYSART: The West Indies. I still say, respectfully, that the statement I made that the vessels are operated by the provincial government is technically correct.

THE CHAIRMAN: You operate some of these boats and you charge 50 cents a cask extra to pick up a load?

MR. DYSART: Our action is the action of the principals, who are the provincial government of Newfoundland. We have a dual operation. We operate boats now the property of the Dominion of Canada and the revenues and expenditures of these are included in the accounts of the C.N.R. Sometimes we operate boats of the province

of Newfoundland and we receive a commission for that operation; but the gross revenues and expenditures of those boats are in the books of the province. It was the latter government that the witness was referring to.

THE CHAIRMAN: It has come out gradually.

MR. COVERT: There is a suggestion that this Transportation Commission should arrange a special inquiry for this purpose -- "this purpose" referred to is the complexities of the problems involved in the export of salt codfish. What I would suggest is that if there is a feeling that there is something that should be investigated by this Commission, that they should put their problems in the form of a brief.

THE CHAIRMAN: Q. You know the problems and we would have to assess whether or not it was within the terms of our order in council. But a special inquiry would be difficult. You might ask us to do something more than we can do. But we will do what we can.

A. We feel that we are responsible for the marketing of the entire production of Newfoundland codfish. It is therefore an obligation on us to see that the fish gets to market by the most efficient and the cheapest method possible, thereby bringing better returns to the fishermen and to the whole province of Newfoundland.

If because of the shortness of the notice in getting this brief ready and our present lack of knowledge of freight rates that are applicable in the other provinces, we have presented a poor brief, and as a result of which we have not argued our case very well, and may not get something probably to which we are entitled, we

feel we should get more time to get information on how fish moves, special concessions on movement of fish by rail; how it can be applied here -- we have no railway, we have coastal boats operated by the C.N.R.; what will happen to the shipments of fish if we have no direct vessels -- all fish has to go by Halifax and the C.N.R. could not carry it that way at the moment. And so it is a very important and very, very difficult problem.

Therefore we feel that it is worthy of much deep consideration and we want more information on what applies in the other provinces.

We would also like to point out the seriousness of what might happen here if these other direct boats were taken off the route. They are owned by the province and individual private firms. If the government and the private firms did take them off then we have to get everything up to Halifax. It is going to cost us a lot more to Jamaica and Barbadoes then it is costing on the mainland where they have the facilities and special rates for moving by rail.

THE CHAIRMAN: So long as you get the brief in, you need not worry about the factor of time.

MR. COVERT: A brief could be submitted at Ottawa.

MR. DYSART: With respect to the 50 cents per cask surcharge, if a vessel discharges a cargo of salt at Port Union, and loads salt codfish at that point, the 50 cents is not charged on the fish.

THE WITNESS: If the ship is going in there is no charge.

CROSS EXAMINATION BY MR. DYSART:

MR. DYSART: Q. I want to ask you if you know if that 50 cents a cask had been agreed to by the conference of the ship owners, other than the owners of the provincial ships; was that negotiation or an arbitrary charge?

A. No; the charge of 50 cents, if I am correct, was started by the boats operated by the provincial (Newfoundland) Government some years ago -- two or three years ago perhaps. Then the private operators argued "if you are going to pay fifty cents for those boats to go into, say, Harbour Buffet, you are going to pay fifty cents for our boats." There is one locally owned boat which does not charge it. If there were sufficient carriers we could say, "We are not going to pay it."

Q. A competitive factor would come into it and the provincially owned boat would have to do away with it?

A. Yes.

Q. That is a position that prevails wherever competition is to be found. I would like to make a correction in regard to those vessels operated by the C.N.R. on Canadian Government account. I am told that the S.S. Clarenville which operates between Corner Brook and Battle Harbour to which reference is made in page 38 of the provincial brief, is also one of those vessels owned by the provincial government and operated by the C.N.R. on government account and is not one of the entrusted vessels.

A. I am told she is under charter.

MR. LEWIS: She is under time charter to the railways.

THE CHAIRMAN: And the other two vessels mentioned in the same part of the brief, are they or are they not part of the C.N.R.?

MR. LEWIS: I understand that the Clarenville is under time charter to the railway. It is not a question of the vessel's being operated by the Newfoundland Railway; they are charter operators.

MR. DYSART: I am told that the revenue of the Clarenville is paid to the account of the provincial government, so that she cannot be under time charter.

MR. LEWIS: That can be cleared up.

THE CHAIRMAN: What of the other vessels mentioned in the same part of the brief?

MR. DYSART: I am told they are all Canadian National.

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MR. COVERT: Mr. Chairman, there were two small matters which Mr. Lewis intended to introduce to complete the province's brief. He was going to file a letter. This will be Exhibit 79. It is a letter from H.M.S. Lewin dated August 19, 1949, and it is addressed to Mr. George C. McNamara.

THE CHAIRMAN: The writer is Mr. Lewin?

MR. COVERT: Yes, sir; he is the manager of Bowaters Pulp and Paper Company.

THE CHAIRMAN: Is the letter to be read now?

MR. LEWIS: You may read it now.

MR. COVERT: It is in connection with the establishment of a mill at Bay d'Espoir. I will read the last paragraph:

"In my opinion it would be a practicable proposition for a mill erected on Bay d'Espoir to rely on its main source of supply of pulpwood in the Labrador, where there is ample accessible wood for a mill of considerable size."

EXHIBIT NO. 79 -- Letter dated August 19, 1949, from Bowaters Nfld Pulp and Paper Mills Ltd. to Mr. G. C. McNamara.

MR. DESMARAIS: Mr. Chairman, the next brief is that of Associated Newfoundland Industries Limited. Mr. J. B. McEvoy is counsel for the Associated Newfoundland Industries Limited.

J. B. McEVOY, called

THE WITNESS: Mr. Chairman, and members of the Commission, I appear for the Associated Newfoundland Industries Limited in this matter.

THE CHAIRMAN: Q. What are your initials?

A. J. B., John Bernard.

Q. Yes, Mr. McEvoy.

A. My lord, before calling a representative of the Associated Newfoundland Industries Limited, to read the submissions of the Association, I perforce must at this time make a few preliminary observations to which I would direct the attention of the Royal Commission.

The first is that the policy of the Association being what it is, it was not until Saturday morning that I was requested to prepare a brief and file twenty copies of that brief by Monday afternoon for the benefit of the Royal Commission, and it quite obviously follows that in the highly limited time at my disposal the brief at best must represent a very hastily prepared effort. Since that time I have had the opportunity of further considering the matter, and I would now like to direct the attention of the Board to that brief with the object of making modifications, important modifications and amendments at this stage.

The first point, my lord, is that on page 6, paragraph 19, the second line, there is omitted a clause which should be added. I have made available to my learned friend for the province copies of this paragraph 19 which is calculated to correct the omission which unfortunately occurred. I will read it as amended:

"In adjusting rates for both rail and steamship traffic between Newfoundland and the provinces on the mainland, we believe that the introduction of the method recommended by the Duncan Commission would produce the desired results, and we also believe the following excerpts therefrom to be pertinent."

THE CHAIRMAN: Q. How does that correct the page you have read?

A. The page is ^{6 of} the brief at paragraph 19, my lord, and omits the authority we quoted from. We state that we believe certain excerpts to be pertinent without stating what the source of those excerpts is.

Q. And you would strike out the reference to the Duncan Commission?

A. No, we incorporate it since the first draft failed to include it.

Q. This is confusing to me, Mr. McEvoy. In the draft, in the brief which we have it is exactly as you read it.

A. If it is in the brief as I read it, then maybe it has been included in some copies and not in others, as it had to go through the typewriter four times.

Now on page 19 containing the recommendations of the Association, there should have been included a further clause 8. That is, clause 8 should now read clause 9 and a new clause 8 should be inserted "that regulation of freight rates should include carriage of goods by sea as well as rail traffic."

Q. That is not in?

A. Therefore, clause 8 of the draft that your lordship has should now read clause 9, and a new clause 8 to the effect that the regulation of freight rates should include carriage of goods by sea as well as rail traffic should be inserted.

Q. Are those all the corrections?

A. No, my lord. In accordance with the instructions received by me last evening, I wish to make the position quite clear that it is now the desire of the association to avoid all reference to the present freight rate structure. We therefore wish this brief to be read as if no reference to the present freight rate structure were made, and with that in mind we therefore ask that this brief be read as if the following paragraphs and documents incorporated therein by reference had been omitted from the brief; that is to say, paragraphs 24 to 29 inclusive.

Q. What pages are they on?

A. On pages 8 to 10, my lord. And the words "and with whom we are in unqualified agreement", appearing in lines 3 and 4 of the concluding paragraph on page 21, are to be taken out.

Q. That is to be omitted or deleted?

A. Yes, my lord, and the whole of the addendum marked "A" consisting of four pages is to be taken out completely, and schedule 1 consisting of one and one-quarter pages is to be taken out also.

I might say, my lord, that in his address of welcome, the Prime Minister among other things pointed out that we are behind here in this field, and it quite

obviously follows that we have not had the time or experience, in fact we do not regard ourselves as at all qualified by experience to meddle or deal with such a huge problem at this particular time. Moreover, we understand that the matter is being discussed somewhere else, and we certainly have no desire to come in conflict with any policy which may be pursued by the government or any government agency. Therefore, to assure that that would not happen, I have been instructed to inform my lords that we should abandon all reference to the present freight rate structure at this time.

So that there can be no doubt about it, and for the particular benefit of the press, I want to make it quite clear in recapitulation that the brief is to be read as if paragraphs 24 to 29 on pages 8 to 10 both inclusive were not inserted in the brief, and the same thing applies to the whole of addendum "A" consisting of four pages, and to schedule 1 consisting of $1\frac{1}{4}$ pages, and to the words or the phrase "and with whom we are in unqualified agreement" appearing in lines 3 and 4 of the concluding paragraph on page 21 is likewise to be deleted.

Q. What about schedules 2 and 3; are they to be read?

A. Yes, my lord, they are to remain, all the rest is to remain.

Now, in making this request, my lord, I should like perhaps to have it clearly understood that the association of Newfoundland Industries would like to reserve to itself the right to file a supplementary brief

on the present freight rate structure before this Royal Commission has concluded its hearings in the event of its becoming desirable in the opinion of the association so to do. We propose, of course, that we be permitted, or what I am asking for, my lord, at the present time, is this -- I am asking for leave on behalf of the association to file at Ottawa a supplementary brief on the present freight rate structure in the event -- that is to say, before the Royal Commission has completed its hearings -- in the event of its being considered necessary or desirable in the opinion of the association so to do.

THE CHAIRMAN: Mr. Dysart, do you see any objection to that?

MR. DYSART: I have no objection to that. I would like to accommodate my learned friend in every way possible. I have only one observation to make. If the brief is to take the form of the parts which have been deleted, either in whole or in part, then my learned friend, in the event he fails to get the brief before the Commission, can leave it to be dealt with by the Maritime Transport Commission.

THE WITNESS: No, my lord, it is the intention to file the brief with your lordship. The point I am trying to make is this: It had been originally decided as part of the brief of the association of Newfoundland Industries to deal with the present freight rate structure, but for reasons best known to the association, it has been decided not to deal with that aspect of the position at this time, but we would like at some future time to file a supplementary brief with your lordship.

THE CHAIRMAN: Do I understand, Mr. Dysart, that you contend that this brief, after eliminating the matters which have been left out, contains only matters which might just as well be referred to the Maritime Transport Commission?

MR. DYSART: Yes, that is my suggestion, that these matters come peculiarly within the province and jurisdiction of that body, but we are not raising any objection or offering any opposition to the suggestion made by my learned friend to file a brief before this Commission if your lordship chooses to give effect to this request.

THE CHAIRMAN: Mr. Covert, what do you say to that point?

MR. COVERT: I think -- I am not sure -- but perhaps Mr. Dysart misunderstood your lordship. My understanding of what you said to Mr. Dysart is that in view of these eliminations nothing is left in this brief that cannot be referred to the Board of Transport Commissioners. I think that what Mr. Dysart meant was that the part which has been eliminated, if it cannot be filed with this Commission in a supplementary brief, can be dealt with by the Maritime Transport Commission.

THE CHAIRMAN: There does not appear so far to be any reason why Mr. McEvoy's proposition should not be granted, that he be allowed to file a supplementary brief.

MR. COVERT: I agree entirely. I am aware that Newfoundland is in a different position from the other provinces, and if they deem it wise to omit certain parts of their brief now, they should be granted an

extension of time to file a brief at Ottawa later. The only thing that I would suggest is that they get it in as early as possible after November 1st.

THE WITNESS: Perhaps my learned friend would give me a time limit?

MR. COVERT: Well, as soon as possible, around November 15th; that would give you a month and a half.

THE WITNESS: That is all right.

THE CHAIRMAN: Where do we go to then?

MR. COVERT: That just leaves the rest of the brief to be read in amended form.

ARTHUR JOHNSON, called

EXAMINED BY MR. McEVOY

MR. McEVOY: Q. What is your name.

A. Arthur Johnson.

Q. What is your occupation, Mr. Johnson?

A. I am manager of three concerns: Gaden's Limited, who are franchised bottlers of Coca Cola; Bavarian Brewers, Limited, brewers; and their sales organization, Beverage Sales, Limited.

Q. And the companies of which you are manager are members of the Associated Newfoundland Industries, Limited, I believe?

A. Yes.

Q. Has the association recently appointed a Transportation Committee?

A. Yes, of which I am chairman.

Q. Of which you are chairman. In your capacity as chairman did you prepare or cause to be prepared a brief

for submission to this Royal Commission

A. I have.

Q. Have you that brief with you?

A. I have.

Q. Does that brief fairly reflect the considered opinions of your committee as to the matters to be here raised for the attention of the Commission?

A. It does.

Q. Would you be good enough to read the brief, Mr. Johnson, please.

A. (Reads):

"In the matter of the Royal Commission on Transportation under and by virtue of Order of His Excellency the Governor General in Council Number 6033, and In the matter of the Associated Newfoundland Industries, Limited.

1. This brief is submitted by and on behalf of The Associated Newfoundland Industries, Limited, a body corporate organized and existing under the laws of Newfoundland and having its registered office in Newfoundland at St. John's (hereinafter called "the Association") and the members thereof.

2. The substratum of the Association is to promote Newfoundland industries and to further in every way possible the interests of Newfoundland manufacturers and producers and to render such assistance to members of the Association and to manufacturers and producers generally as the Association shall deem advisable from time to time.

3. Membership in the Association comprises the

secondary manufacturing industries of Newfoundland, as distinct from the paper, lumbering, mining, fishing, farming and other similar industries.

4. The secondary manufacturing industries employ some 4,000 workers directly, many others indirectly, and it is estimated that some 30,000 people, nearly 10 per cent of the island's population, benefit from this group.

5. We believe that over half a million dollars of the revenue of the railway and coastal systems is derived from this source. The province would be very badly off if its secondary industries were allowed to be closed out.

6. The following is a partial list of the industries represented by the Association:

Acetylene and Oxygen Mfg.	Gas (Propane)
Brook Mfg.	Handicrafts Mfg.
Brush Mfg.	Ham & Bacon Curing
Brewing	Ice Cream Mfg.
Brick Mfg.	Ice Cream Cones Mfg.
Bread Baking	Ice Mfg. & Harvesting
Biscuit Baking	Lumber Mfg.
Berry Packing	Lumber Preserving
Beds & Bedding Mfg.	Lithographing
Barrel & Box Mfg.	Lime Mfg.
Body, carriage & wagon Mfg.	Laundering
Bookbinding	Margarine Mfg.
Beverage Bottling	Monument Mfg.
Carbonated Gas Mfg.	Metalworking
Concrete & Block Mfg.	Nail Mfg.
Clothing Mfg.	Net Mfg.

Confectionery Mfg.	Optical Lens Grinding
Canning (Foods)	Printing
Can Mfg.	Publishing
Cold Storage	Paint Mfg.
Cordage Mfg.	Paperbag Mfg.
Cabinet Making	Roofing Material Mfg.
Drugs & Medicine Mfg.	Road Paving Material Mfg.
Dry cleaning & Dyeing	Sign & Display Mfg.
Engines (Marine) Mfg.	Sand and Gravel
Elevators Mfg.	Stoves Mfg.
Engineering & Machining	Syrup & Extracts Mfg.
Furs, Mfg., Tailoring	Sash & Door Mfg.
Forging	Ship Bldg. & Repairing
Furniture Mfg. & Upholstering	Shirt, Overall & Cap Mfg.
Shoe Mfg.	Talc Mfg.
Trunk Mfg.	Twine Mfg.
Tobacco & Cigarette Mfg.	Woolens Mfg.

7. Local industries are a natural result of a country's growth and progress. While every year sees some new industries started, there are some successfully operating today that started over one hundred years ago, bearing testimony to the sound basis on which these industries were built.

8. Local industries provide employment all the year round, generally of a highly skilled and semi-skilled nature. In a country where so much employment is seasonal, this is a very important factor, and all industry benefits from the creation of skilled and semi-skilled workers, who are schooled in these manufacturing

plants, where, apart from their specialized work, they are trained in the habits of steady and productive work.

9. In plants, machinery and equipment, and in the quality of their products, local industries stand the most rigid comparison with plants of similar size on the mainland. We would point out that while local industry seeks no favours it does, however, on historical, constitutional, legal and moral grounds, insist on equality of opportunity with the other industrial regions of Canada which is one of the inescapable incidents of confederation.

10. It should be noted that the Canadian National Railways, upon which we are solely and absolutely dependent for the servicing of our people throughout the island, was never, according to the Fathers of Confederation, intended to be regarded as a commercial institution, rather was it to be a political institution, designed to solidify or confederate the various territories north of the United States which might have gone their several ways out of union had they not been induced to accept the principle of service regardless of cost to the Dominion. Moreover, we respectfully submit that Section 32 of The Terms of Union must be construed as meaning not that Newfoundland would have rates comparable to the best prevailing in the maritime provinces but that she would be placed in a comparable position with that of the maritime provinces regardless of rates.

11. It will be useless to send down experts from Ottawa in the future to breathe the breath of life into industries incapable of resuscitation which, during the hiatus between March 31, 1949, and the arrival of such

experts were strangled to death for want of sympathetic and equitable consideration.

THE CHAIRMAN: Q. Just a moment, please. Are you implying that certain of the industries have been strangled:

A. They may be somewhere in the process. Some have already closed.

THE CHAIRMAN: Do you enlarge on that point?

MR. DESMARAIS: We shall ask him questions later on, my lord.

THE WITNESS:

12. It is self-evident that the further east of Quebec and Ontario industry is situate correspondingly more and more difficult it becomes for industry to survive since the cost of obtaining raw materials from these provinces, upon which such industries must depend, increases with distance. It is axiomatic that the further industry is situate from the source of raw materials, correspondingly more difficult does it become to survive in a competitive world. Therefore, unless local industry in Newfoundland generally, and St. John's particularly, receives the necessary special treatment then the death of industries there is a foregone conclusion.

13. The concern of local industry is not the method by which the materials arrive but rather the prohibitive cost of transporting same to Newfoundland, both by rail and steamship, which calls for immediate relief if irreparable consequences are to be avoided.

14. The manner in which this situation may be relieved, whether by way of shortening or combining of routes, subsidies, or otherwise, is a matter for expert opinion upon which, for obvious reasons, we make no pronouncement. We do, however, submit that whatever the form, relief must immediately be forthcoming if local industry is to survive, and we suggest that, inter alia, special freight rates be granted upon all raw materials, plant and equipment coming into Newfoundland.

15. Being an island creates a natural barrier to trade by the inescapable disadvantages dictated by broken transportation, long mileage, longer time in transit, especially winter delays caused by ice in the gulf and snow on the Topsails, thereby necessitating heavy stocks and warehousing, and the additional cost, in many cases, of export packaging, extra insurance and other general incidentals.

16. These factors are, therefore, additional to and of necessity, greatly increase freight costs which must be kept in mind when a fair and equitable rate structure is being determined.

17. In arriving at a fair and equitable freight rate structure, it follows that the rates so arrived at must be made applicable to carriage of goods by sea since, we understand, two-thirds of the incoming freight to Newfoundland has to be carried by water owing to inadequate rail facilities and our insular position.

18. It follows, therefore, that no matter how equitable the rates arrived at may be, no appreciable relief can be obtained unless the carriage of goods by sea

rates are regulated in the same manner as rail rates either by extending the jurisdiction of the Board of Transport Commissioners of Canada over ships engaged in interprovincial carriage or by setting up a separate statutory body with the same jurisdiction over such ships as is presently exercised over interprovincial rail traffic.

19. In adjusting rates for both rail and steamship traffic between Newfoundland and the provinces on the mainland, we believe that the introduction of the method recommended by the Duncan Commission would produce the desired results, and we also believe the following excerpts therefrom to be pertinent:

"The situation is one that can only be dealt with in a broad spirit, and one that for the economic welfare of the Maritimes must be met without delay. The course we suggest has the effect of giving immediate relief in a manner that is equitable as well as broad. . . . It separates completely considerations of national public policy from considerations of railway policy proper. It restores the original purposes of the Intercolonial Railway as interpreted by the rate structure prior to 1912, without withdrawing it from the consolidated system of national railways."

20. Distribution in and around Newfoundland means that the Canadian National Railway and Coastal System is the major means of distribution upon which the general

public must rely. It follows, therefore, that if the Newfoundland people living in 1350 towns, villages, and settlements along a 6000 mile coastline are to be fed, the cost of distribution must be a secondary consideration. Where, however, the cost of distribution is prohibitive, and we submit it presently is, it follows that grave repercussions are inevitable.

21. It should be noted that prior to confederation our industrial economy evolved under a protective tariff system. In so far as the other nine provinces of Canada were concerned, confederation swept away this necessary protection with the result that something in substitution therefor must now be provided if industry is to continue at a worthwhile level in Newfoundland.

22. Newfoundland is situate in the Gulf of St. Lawrence and thus cut off from the mainland by a distance of approximately ninety miles with an area of 42,000 square miles. Its population is approximately 327,000 people who are distributed over and located in some 1350 towns, villages, and settlements along a coastline of 6,000 miles, and who depend for supplies upon transportation mainly supplied by the railway and coastal system. There are also 5500 people residing in the 110,000 square miles of Newfoundland-Labrador. Of the 332,500 people residing in the combined area of 152,000 square miles, it follows that, because of climatic and other conditions, the supply of these people with the necessities of life constitutes a critically seasonal problem.

23. While Newfoundland enjoys a variable climate and

milder than is generally believed on the mainland, the fact, however, remains that Newfoundland-Labrador and a substantial part of the Newfoundland coastline are ice-bound and, therefore, inaccessible for periods running from five to seven months out of each and every year thus accentuating the problem of transportation since, for all practical purposes, one has to do twice the amount in half the time.

30. In fixing freight rates, "as far as may be appropriate" under Section 32 of The Terms of Union, we submit that due to the smallness of our towns, widely scattered settlements, seasonal trade, winter and other conditions peculiar to Newfoundland, that a permanent local advisory committee should be set up consisting of men fully conversant with such conditions and who are qualified by mentality and experience to soundly advise on all matters affecting transportation in Newfoundland.

THE CHAIRMAN: Q. You say a permanent local advisory committee should be set up. By whom? Do you mean by the government?

A. Yes, my lord, by the federal government.'

31. Our submissions in this behalf have seemingly already received recognition by the fact that the Canadian National Railways has dealt with the problem by allowing "Drop off carloads" and special commodity rates. On the other hand, certain advantages which the Newfoundland distributors previously enjoyed, such as special rates on mixed carloads, have been taken away.

MR. McEVOY: My lord, if you would permit me, I would like to strike out the words "such as special rates on mixed carloads have been taken away," and strike out --

THE CHAIRMAN: What part do you strike out, the first or the second part?

MR. McEVOY: From "by the imposition,"--all the words after "have been taken away."

THE CHAIRMAN: So that there is no reference back.

MR. McEVOY: No, my lord, it does not mean a single thing now.

THE CHAIRMAN: You may go on again now.

THE WITNESS:

32. By reason of its many complexities and owing in part to geographical and climatic conditions which necessitate decisions having to be made on the spot at very short notice, we respectfully submit that the Newfoundland operation of the Canadian National Railways should have a higher status than that of a division of the Atlantic region, and, in addition, the officer in charge of the Newfoundland Railway should occupy a status which would permit him to make immediate decisions either on his own initiative or in direct communication with Montreal thus eliminating the dissatisfaction which presently prevails which is aggravated by the attempted operation of the Newfoundland coastal system by a regional railway division at Moncton.

33. The coastal service is properly regarded as of the very greatest importance to the country. Economical, frequent, reasonable service to our coastal centres, with an availability to their smaller neighbours in lesser degree by other methods, is essential to the life of our people.

34. Coastal service and rates require a thorough revision at the hands of the proposed advisory committee who should be strengthened by the advice of those who know intimately the life of our outport people, the operation of a coastal system in Newfoundland waters, and the requirements of business peculiar to Newfoundland.

35. In passing, we should like to make the following several observations:

- (a) The coastal steamers will always be in direct competition with smaller privately-owned freight and passenger craft, and, therefore, must keep rates at a minimum if they are to achieve adequate volume. This competition is steadily increasing as new boats are built.
- (b) In 1943, the rates charged by the coastal services were regarded as very high, yet, in every general increase in rates by the railway, the coastal system was included. In 1945 there was a 10% increase in rates, a further 40% in 1947, another 10% in 1948, and unless sidetracked another 8% is prospectively in operation, with possibly others to follow. While these increases were not fully applied to all goods, especially those classed as

"Fishermen's Supplies," the effect is shown clearly in the appendices attached.

- (c) As will be observed, there is no attempt by the operators of the coastal service to make any general classification of goods by kind. They are classified on a weight, cubic and barrel basis.
- (d) Under this unscientific method, no account is taken of the obvious fact that certain classes of goods cannot stand present coastal rate levels. This applies particularly to goods on which the prices to the consumer are accepted or dictated. Conversely others can take an increase.
- (e) A number of manufacturers and wholesalers have set up distributorships at strategic points throughout the island, such as Argentia, Swift Current, Marstown, Fortune, Grand Bank, Port aux Basques, Corner Brook, Bonne Bay, St. Anthony, Englee, Jackson's Arm, Baie Verte, La Scie, Springdale, Botwood, Bishop's Falls, Grand Falls, Lewisporte, Twillingate, Greenspond, Alexander Bay, Bonavista, Clarenville, etc. This form of organization has been growing steadily in the last ten years and will continue to expand.
- (f) There is, however, no provision in coastal rates for redistributed goods. For instance, it costs 70¢ per 100 lbs. to send goods from St. John's to Grand Bank, and an additional

60¢ to forward the same goods from Grand Bank to, for instance, Ramea. Yet the through rate to Ramea would be the same as the initial redistribution rate, namely 70¢. At the points which are terminals there is not even the factor of additional handling. As a result of having no redistribution rate, the former trade done by this method has now largely gone elsewhere.

- (g) No attempt has been made to abolish a five-cents-a-package toll collected in lieu of salary by wharfmen at public wharves, all of which adds to the cost of freight transshipment.
- (h) In this highly competitive field of coastal transportation, no one can say "my expenses are up, therefore my prices must go up." This is business suicide. The efficient operator will keep his prices at the level which will maintain his very necessary volume, go after business and concentrate on more efficiency in keeping his operating expenses within bounds.
- (i) It seems obvious to industry that the time has come for the coastal service and the railway itself to maintain within its Freight Department an additional business-getting and business-promotional staff. This is not to be misconstrued as any reflection on the present personnel whose interest in and on behalf of the trade, especially during the dislocations of the war and of confederation, and whose

work generally must meet with the warm commendation of all with whom they came and come in contact.

- (j) We avoid raising here how badly needed assistance should be given the coastal system by building feeder roads leading to central ports and the railway line; by establishing freight sheds and encouraging lodging houses to be provided for the public at terminal points; by giving the system the right types of ship; and by at least restoring the old mail subsidy and crediting the work done in mercy calls, seasonal emergencies, and ice breaking. This field is being fully and more competently dealt with in other briefs.
- (k) Industry is, however, very closely identified with the coastal service and is, naturally, gravely concerned with its future. On it, industry relies for the distribution of its finished products to the north and south coasts from its centre at St. John's which is also the centre of the coastal system.

36. The importance of St. John's in the life of our country cannot, for the reasons subsequently appearing, be over-emphasized.

St. John's is, and in the foreseeable future, must remain the capital of the island, the seat of government and the predominant centre of population. The Avalon Peninsula and northeast coasts which are serviced by St. John's contain at least two-thirds of

the island's population. St. John's is, therefore, the centre of supply and distribution of the fishing industry, and the heart of the financial and industrial activity throughout the island. It is on the main ocean terminal nearest to our European markets, and on the great circle between New York, Halifax and London. The importance of St. John's as a matter of defence cannot be exaggerated since it is indispensable to the successful operation of the navy, and, therefore, must be complete with docking, repairing and supplying facilities. This was adequately demonstrated during the recent war when the United States and Canada quickly discovered the importance of Newfoundland generally, and St. John's in particular, as a base of operations. Lord Beaverbrook rightly called the Battle of the Atlantic, "The Battle of Newfoundland," and declared that without Newfoundland it would have been impossible for the allies to have won the Battle of the Atlantic, and, if we had lost that battle, we would have lost the war.

37. The strategic significance of St. John's as a matter of vital defence to the North American Continent was quickly realized by the United States during the recent war when, for a period of 99 years, it established its army and air bases at Fort Peppere Pepperrell, St. John's. Moreover, St. John's has been established as the headquarters of the three divisions of the Canadian armed services in Newfoundland.

38. While, historically, Newfoundland is the tenth province, and in area about sixth -- geographically it may equally well be called "Our First" because it

has been described, not inaptly, as "The Gibraltar of the North Atlantic." From the standpoint of defence to both Canada and the United States the importance of Newfoundland cannot be overestimated.

39. Moreover, St. John's possesses the only large supply of generally skilled labour which would have to be moved elsewhere were the present industrial and commercial set-up to be prejudicially affected to any material degree. It follows, therefore, that commercially, industrially, and as a matter of national defence that the natural potentialities of St. John's from all three standpoints must be accelerated to the greatest possible extent since to do otherwise would mean not merely the disruption of the island's economy but might well have very serious repercussions as a matter of national defence.

40. While secondary manufacturing has no direct interest in the fishing industry, it realizes, however, that its prosperity depends on the success of that industry, as in all others. It seems to us, however, that it is impossible to unduly emphasize the need for a centralization of the control and handling of all its new processes. We visualize St. John's as the logical centre for this development. St. John's already has basic railway, coastal and ocean shipping facilities; a port well-situate; and an adequate population skilled in industry, and permanently housed. Money spent in this centre would not be experimental, and would be but a fraction of that which would have to be spent to provide equivalent facilities elsewhere.

41. We understand the federal government will, at the request of the province of Newfoundland, and having regard to the best interests of the province, investigate the desirability of establishing one or more harbours in the province as "National Harbours" under the National Harbours Board.

42. For all and any of the reasons hereinbefore set forth, that is to say, both as a matter of national defence and otherwise, we respectfully submit that St. John's should be established with all possible speed as a national harbour under the jurisdiction of the National Harbours Board.

43. The Associated Newfoundland Industries, Limited, respectfully but firmly submits that the recommendations of the Royal Commission on Transportation should include the following:

1. Secondary industry must be fostered and maintained if calamitous repercussions to the economy of Newfoundland are to be avoided.
2. St. John's must be maintained as the centre of industry, shipping and fishing operations. Both as a matter of national defence and otherwise it is imperative that St. John's should be created a national harbour with all possible speed.
3. Special rates on raw materials moving from the mainland for processing in Newfoundland, and upon their freighting to points within Newfoundland and elsewhere of goods therefrom.
4. Improvements in existing railway and port facilities.

5. Readjustment of local rates for railway and coastal services by a permanent advisory committee.
6. Newfoundland operations to become independent of the Atlantic Region and come under the direct supervision of Montreal.
7. That a new rate structure should be made immediately applicable to Newfoundland designed to ensure not merely that through rates to Newfoundland and local rates will be the same as those applying throughout the Maritimes but additional allowances will be made to offset the disadvantages arising out of our insular position and as the most easterly province of Canada.
8. That the regulation of freight rates should include carriage of goods by sea as well as rail traffic.
9. In keeping with the spirit of the report of the Duncan Commission and the intention of the Fathers of Confederation as to the proper place the national transportation system should occupy in the national economy for the benefit of the people of Canada, may we, on this very vital question, quote Sir John A. Macdonald, who said in part at Halifax in 1864: "I don't hesitate to say that with respect to the Intercolonial Railway, it is understood by the people of Canada that it can only be built as a means of political

union for the colonies. It cannot be denied that the railway, as a commercial enterprise, would be of comparatively little commercial advantage to the people of Canada."

The Honourable Mr. Galt said: "The railway is not to be looked upon as a question of cost but as a bond of union that will unite us in peace and in time of need."

Again, at Halifax, on September 10, 1864, the Hon. George Brown had this to say: "Union of all the provinces would break down all trade barriers between us, and throw open at once to all a combined market of four millions of people. You in the east would send us your fish and your coals and your West India produce, while we send you in return the flour and the grain and the meats you now buy in Boston and New York."

We submit that the Canadian National Railways and coastal system in Newfoundland should be regarded "as a means of political union" and not "as a commercial enterprise" which was as important a factor in concluding the Terms of Union between Canada and Newfoundland in 1948 as it was in 1864, for it was believed on both occasions that industry everywhere throughout the dominion would, by confederation, be secured equality of competition for dominion-wide markets in so far as the elimination of economic, geographic, and other disadvantages could be brought about by the national

system of transportation generally and the freight rate structure particularly..

In conclusion, we would point out that we have been privileged to participate in discussions with other bodies, by whom briefs are being presented. For this reason, therefore, we have studiously avoided referring to some matters at all, and to others in greater detail, knowing that both are adequately covered by other briefs.

All of which is respectfully submitted.

Dated at St. John's this 29th day of September, A.D. 1949.

ASSOCIATED NEWFOUNDLAND INDUSTRIES LIMITED.

RAILWAY - RATE INCREASES

Schedule 2 Page a

1. #95 Dec. 1/42 "G" is the rate from St. John's to Grand Falls 276 miles.
2. #104 Mar. 1/44 "C" is the rate from St. John's to Corner Brook 405 miles.
3. #119 Aug. 1/47 "P" is the rate from St. John's to Port-Aux-Basques 547 miles.
4. #124 Dec. 15/48 which was based on and merged into C.N.R.#C17-1.
5. Presumably 8% more in prospect Rates are per hundred lbs.lcl.

	<u>1942</u>			<u>1944</u>		
	G.	C.	P.	G.	C.	P.
<u>Class I</u> clothing	.57	.73	.85	.80	1.04	1.24
<u>CLASS II</u> Biscuits	.50	.64	.75	.70	.91	1.08
Confectionery						
Margarine						
<u>CLASS III</u> Beer	.43	.55	.64	.60	.78	.93
Soft Drinks						
Rope						
Paint						
Stoves (crated)						
<u>Class IV</u> See next page	.36	.46	.54	.50	.65	.77
<u>Class V</u> See next page	.29	.37	.43	.40	.52	.62
PLUG TOBACCO (Double Class)	1.14	1.46	1.70	1.60	2.08	2.48
CIGARETTES Ctns ($\frac{1}{2}$ times 1)	1.43	1.83	2.13	2.00	2.60	3.10
Nails in bags	.50	.64	.75	.70	.91	1.08
Nails in kegs	.36	.46	.54	.50	.65	.77
Soft Drinks	.29	.37	.43	.40	.52	.62
Beer	.29	.37	.43	.40	.52	.62

(Table continued on next page)

Schedule 2 Page 2

	1947			1948			Prospective		
	G.	C.	P.	G.	C.	P.	G.	C.	P.
CLASS I Clothing	.90	1.19	1.35	.97	1.26	1.50	1.05	1.36	1.62
CLASS II Biscuits	.79	1.05	1.19	.88	1.10	1.31	.92	1.19	1.41
Confectionery									
CLASS III Beer	.68	.89	1.02	.73	.94	1.13	.79	1.02	1.22
Soft Drinks									
Rope									
Paint									
Sroves (crated)									
CLASS IV See below	.55	.75	.85	.61	.79	.93	.65	.85	1.00
CLASS V See below	.46	.65	.69	.48	.63.	.75	.52	.68	.81
PLUG TOBACCO (Double Class I)	2.38	2.70	.73	.94	1.13	.79	1.02	.22	
1.80									
CIGARETTES Ctns:						Made class III			
(2½ times 1) 2.25 2.98 2.38									
	.97	1.26	1.50	1.05	1.36	1.62			
Nails in bags	.79	1.05	1.19			Made all Class IV			
Nails in kegs	.55	.75	.85	.61	.79	.93	.65	.85	1.00
Soft Drinks	.40	.50	.58	.39.	.46	.53	.42	.50	.57
Beer	.40	.50	.58	.48	.63	.75	.52	.68	.81

Note: There was a blanket rate on Carloads of Mixed Soft Drinks and Beer of .41 in 1947, and .45 in 1948. This was what the hauls averaged, and was a great convenience to both parties from an accounting standpoint. This was abolished by the Canadian National Railways. The Beer Rate under the Blanket arrangement has in effect been raised by 23% as above, and in effect also has put a stop to the convenience of Mixed Cars.

		<u>1948</u>		<u>Prospective</u>
Mixed Carloads are now increased by the C.N.R.				
from Class V to that of the highest class of goods in the car, usually Class IV	.48	.63	.75	
Nails in Bags	.61	.79	.93	.65 .85 1.00
	.41	.54	.64	.44 .58 .69

COASTAL-RATE INCREASES Schedule 3

ZONES NUMBERED:-

1. Placentia Bay
South West Coast
Trinity Bay
Bonavista Bay
2. Notre Dame & Green Bays
3. LaScie to Cook's Harbour
4. Corner Brook to Battle Harbour
5. Lab. dor

1. #100 March 1/43
(This the earliest tariff which makes clear reading. Previous to this the rates were those which started in 1913 with the Reid Nfld. Co. and were amended by a multitude of frequent alterations)
2. #108 November 28/47
(10% and better general increase)
3. #117 April 1/47
(40% increase, fishermen's essentials in many cases however not touched)
4. #121 May 1/48
(10% increase, fishermen's essentials favoured)
5. Presumably another 8% automatically in prospect.

There are no classifications of goods, other than through special rates. Rates are by weight or by cubic foot (whichever is greater), in addition to which is a rate by barrel (that is, goods packed in barrels enjoy a fixed sum by barrel) (recognized as 250 lbs).

Zone	<u>1943</u>					<u>1945</u>				
	1	2	3	4	5	1	2	3	4	5
Barrel	.55	.65	.65	.65	.66	.67	.70	.70	.75	
Hundred Lbs.	.45	.60	.85	.50	.52	.55	.70	.70	.85	
Cubic ft..	.12	.17	.17	.12	.12	.12	.17	.17	.17	
Cigarettes in Cartons										

(Table continued on next page)

- 6591-A.

(Table cont'd)

Zone	1947					1948				
	1	2	3	4	5	1	2	3	4	5
Barrel	1.00	1.10	1.10	1.10	.90	1.10	1.21	1.21	1.21	.99
Hundred lbs.	.70	.90	.90	1.00	1.00	.70	.90	.90	1.00	1.00
Cubic foot	.12	.12	.15	.17	.17	.13	.14	.17	.19	.19
Cigarettes in Cartons	1.50	2.40	2.40	2.70	2.40	1.65	2.64	2.64	2.97	2.64
	Choice of cubic above					Choice of cubic above.				

EXAMINED BY MR. DESMARAIS

MR. DESMARAIS: Q. On page 2, paragraph 6, appears a partial list of the industries of your association. Could you advise the Commission of the total number of your members, approximately?

A. I would not know that offhand.

Q. In paragraph 9 on page 3 you state you seek no favours but equality of opportunity with the other industrial regions of Canada. Do you suggest that equality of opportunity with other industrial regions in Canada can and should be brought about by adjustments in the freight rate structure?

A. Yes.

Q. At the end of paragraph 10, page 4, you suggest an interpretation of Section 32 of the Terms of Union Act. You say "not that Newfoundland would have rates comparable to the best prevailing in the maritime provinces, but that she should be placed in a comparable position with that of the maritime provinces regardless of rates." Would you elaborate on this statement?

A. Our position in Newfoundland is that definitely it is below any other province in Canada. If we compare ourselves with all the provinces -- in Ontario and Quebec we find that they have every advantage. They have the advantage of the goods being right at their door, they manufacture the raw materials in Quebec and Ontario, they have their markets right around them and numerous other

advantages. They have high populations. We come down towards the maritime region, we find they are less favourably placed than the two central ones. They have longer mileages and to some extent a scattered population. We come further east and we find that not only has Newfoundland a very much longer mileage, but it has so many other difficulties to contend with that we are vastly inferior as competitors to anything on the mainland. And to put us on a basis of equality with the manufacturers on the mainland, we deserve special consideration.

Q. In freight rates:

A. In everything.

Q. You mean adjustments of freight rates should be used to mitigate if not do away with some other of your disadvantages?

A. I mean the distance should not be taken into consideration.

Q. You should be on an equal footing with the other maritime provinces -- would not the additional distance from central Canada be considered, in view of the remark you made? You would be put in a comparable position with the other provinces, notwithstanding the additional distance?

A. I am not very much concerned with the manner in which it is done. I think industry has to be weighed as to its position against its competitors in the more favourably placed areas.

Q. Equality of rates or equality of opportunity?

A. Not equality of rates -- it is equality of opportunity.

THE CHAIRMAN: Section 32 of the Terms of Union, you say, must be construed in a certain way. You say "not that Newfoundland would have rates comparable to the best prevailing in the maritime provinces, but that she should be placed in a comparable position with that of the maritime provinces regardless of rates." I have not the section before me.

MR. McEVOY: I have that section here, my lord.

THE CHAIRMAN: Section 32(2) of the Terms of Union says:

"For the purposes of railway rate regulation the island of Newfoundland will be included in the maritime region of Canada, and through-traffic moving between North Sydney and Port aux Basques will be treated as all-rail traffic.

(3) All legislation of the Parliament of Canada providing for special rates on traffic moving within, into, or out of, the maritime region will, as far as appropriate, be made applicable to the Island of Newfoundland."

MR. DESMARAIS: Q. You think that regardless of rates, in every other respect Newfoundland should be put in a comparable position with that of the maritime provinces. What other respects did you have in mind?

A. I am not a constitutional lawyer.

Q. What other things have you in mind in respect of which compensation might be made; what advantages do you see in other maritime provinces that you do not have here?

A. We have covered that in several sections here in the brief.

THE CHAIRMAN: Q. You are relying on this section 32?

A. No, my lord, I do not think so. As I have already said I would say that the Terms of Union are more or less a constitutional outline and that these conditions may change from time to time.

Q. But it could happen that this particular section 32 to which your brief refers has to do with transportation?

A. I would say, yes, sir.

MR. DESMARAIS: Q. Will you turn to page 11, paragraph 4, where you refer to industries being strangled and threatened. Would you elaborate on this, please?

A. The situation is that industry here is in a very critical condition, very critical, already several industries have closed. I hate to predict what is going to be the state of some more of our industries within the next year, the balance sheets are not going to look good, and several must fail; they will go out of business.

THE CHAIRMAN: Q. You say certain industries have already come to grief because of the conditions brought about by confederation?

A. Yes, my lord.

Q. Can you specify any of these industries, that would help us?

A. There are two of them that I know offhand; Parker & Munroe, boot and shoe factory -- they are gone, and the Utica garment manufacturing, they are gone.

Q. Why are they gone?

A. They could not stand outside competition.

Q. That is with goods coming from outside the province?

A. Yes, my lord.

Q. How long had they been in business here?

A. Parker & Munro were in business for many years, and Utica perhaps fifteen years or something like that. Both these companies brought in their raw materials and --

Q. From where?

A. From Canada and the United States, mostly from the United States, although I cannot give you the exact point from which their goods came, but they find they cannot land their raw materials cheaply enough now to compete with imports.

Q. The cost of the raw materials has been increased by reason of confederation, then?

A. Not exactly that, sir, that is not the position, because I do not know whether they got them all from the United States or not, but the position is that when the protective wall around industry was razed to the ground, it meant that all these Canadian goods just poured into this country at very low prices.

Q. The market was swamped by Canadian goods. Prior to confederation a protective wall had been existing against Canadian goods, and then after

confederation this came down and allowed goods from the other provinces to come in and swamp the country; you think that is the reason for the failure of each of these companies?

A. Definitely.

Q. One was a boot and shoe manufacturing factory and the other was what?

A. A garment manufacturer.

MR. DESMARAIS: Q. In paragraph 12 at the top of page 5, you refer to the necessity for special treatment for local industry. Would you kindly elaborate and explain just what kind of special treatment you refer to there?

A. It is referred to in our recommendations. We would like to get a beneficial rate on raw materials coming in for the purpose of processing into finished products.

Q. In paragraph 13 you refer to immediate relief from the prohibitive cost of transportation, and in paragraph 14 you state that the relief must be immediate for local industries to survive and that special freight rates should be placed on all raw materials and plant and equipment coming into Newfoundland. Have you some specific information which would indicate those specific industries that you have mentioned as being wrecked by competition by virtue of the high freight rates? Is it on account of the high freight rates that these industries have been particularly affected?

A. Well, no, I cannot say that, because rates

generally, as far as I know, have come down slightly, but the trouble with us is that we are the shorn sheep with nothing to protect us; our tariff wall is gone.

THE CHAIRMAN: Q. You have mentioned these two companies that have suffered by the tariff wall protecting them against Canadian goods having gone; do you know of any companies that have benefited by the lifting of these tariff walls in one way or another?

A. Oh, a number of companies, of course, would benefit as they get their raw materials from Canada, and they would now get them cheaper to the extent of the tariff reduction.

Q. There is, in fact there are such companies?

A. Yes, but it is a very complex affair when we import most of our stock. In my own business, for instance, we find that crowns are costing us more.

Q. Your what?

A. The crowns for our coca cola bottles are costing us more and the bottles are costing us more.

Q. Where do they come from?

A. Montreal. Previously they came from the United States. The only item of my business of any consequence that has benefited is in the coca cola extract from which the duty has been removed. That comes from Toronto, and the fact that sugar is down in price.

MR. DESMARAIS: Q. Could you give us more definite advice as to the need for a special rate of freight and exactly on what type of plant and raw material and equipment it should apply?

A. We have no exact recommendation on that; it is merely presented as a principle.

Q. In paragraphs 15 and 16 on pages 5 and 6, you refer to the natural disadvantages of location, possible increased cost of warehousing, breakages and extra insurance, and suggest that these factors must be kept in mind in establishing a fair and equitable rate structure. Do you mean by this that you would take what otherwise would be regarded as a normal rate and reduce it proportionately to these costs?

A. That is the exact intention.

Q. In paragraphs 17 and 18 on page 6, you point out that two-thirds of the incoming freight has to be carried by water owing to inadequate railway facilities and your insular position. According to the provincial brief, it would appear that only 65,000 tons of freight were handled at Port aux Basques, and that out of a total imports of 1.2 million tons that would only be about 5 per cent. How do you arrive at this two-thirds figure?

A. We did not have all the import figures at hand when we were making up this brief and we wanted to be conservative.

Q. You suggest that the carriage of goods by sea be regulated, and it should be brought under the jurisdiction of the Board of Transport Commissioners -- would that refer to the entire provincial carriage of goods?

A. Yes; that is additional to the recommendations we have already put in.

Q. In paragraph 19 on page 6, you quote from the report of the Duncan Commission. This quotation is taken from page 22 of the report. Might I suggest to you that this report is referring to the way that rates had increased during the period 1912 to 1923 and the commission had arrived at the conclusion that there should be an immediate reduction of 20% which would have the effect of restoring the pre-1912 level of low rates; is not this what the Duncan report refers to?

A. It is just an outline as to how they arrived at the 20%.

Q. But it deals with the reason for establishing this 1912 level, does it not? Is that right?

A. I am sorry I am not qualified to answer that.

Q. In paragraph 20 on page 7 you refer to the C.N.R. and the coastal system as being the major means of distribution upon which the general public must rely, and the people living along the coastal line must be fed and the cost of distribution must be a secondary consideration. Would you please elaborate on this and intimate how far you would go in recommending a freight structure based on your statement; how far you would go in reducing rates for this purpose?

A. That is a broad question. I am not prepared to answer that. I am sorry, it is too broad a question for me to answer.

Q. You do not believe that business considerations should be taken into account?

A. No, I do not think so; I think it is a matter of public policy.

Q. On page 21 of the brief you refer to the economy of the province and suggest that something in a substantial way must now be provided if industry is to continue. Do you not believe that all this was taken into consideration in drawing up the Terms of Union?

A. It was certainly discussed because the documents concerning the Terms of Union go fully into the subject, and the Terms of Union recognize that secondary industries would receive a terrific shock from the removal of the tariff wall and has recommendations that a high degree of assistance in every way possible should be given to the secondary industries in order to enable them to survive. One form of assistance which has recently come up is the fact that in national purchases, when Newfoundland tenders go in they are given a bonus of 15 per cent.

Q. Do you think one of the considerations in Sections 28 and 26 deals with subsidies and transitional grants?

A. What is that now, the Terms of Union?

Q. Yes.

A. Might I read from the Terms of Union, the pertinent paragraph referring to small industries; it is in the supplement.

THE CHAIRMAN: Q. What section is it?

A. Section 21.

Q. What section of the Terms of Union?

A. It is not in the Terms of Union; it is in the supplement. It is incorporated in the booklet, not the

large one, the one about the size of this (indicating).

Q. That is something that we have not here; what is that? Go on and read it.

A. "It is recognized that there will inevitably be some dislocation of Newfoundland's secondary industries as a result of union. The extent of such dislocation, however, is difficult to measure, since much will depend on the individual approach to the problems that is made by the management and owners of the industries concerned. The Canadian government will do all that it can to assist secondary industries in Newfoundland in their efforts to meet such problems as may arise. The extensive facilities of the Department of Trade and Commerce will be available to assist in procurement of raw materials from other parts of Canada or from abroad. The Department will continue to maintain an office in St. John's for at least two or three years and longer if necessary. The Canadian Commercial Corporation which carries the responsibility of purchasing for the armed services will maintain a local representative in Newfoundland and every effort will be made to ensure that as appropriate volume of purchases for government account will be made locally. Further, the Department of Trade and Commerce will establish at Ottawa a committee of senior officials to work as a team to ensure that

special inquiries and problems of Newfoundland receive as prompt and effective attention as possible."

Q. That was agreed to?

A. Yes.

Q. But you have to bring everything down to a matter of transportation to see what can be done for you; you want to bring it down to that?

A. Yes.

COMMISSIONER ANGUS: Q. What you want is cheap transportation on raw materials, not on the finished products?

A. I would like to --

MR. McEVOY: If I may be permitted to say that having abandoned our brief on questions relating to the present freight rate structure, I think that consistent with that position, with all due respect to the Board, it means that the impressions of the witness on the cost, the freight cost of distributing manufactured goods after they have arrived, is not a matter to be considered at this time. We are concerned with the importation of raw materials from the industrial provinces of Quebec and Ontario into Newfoundland, and we are confining ourselves to that aspect of the matter. Since that is our position, for the time being Mr. Johnson is really confining his testimony to the importation of raw materials into Newfoundland, the intention being that if we file a subsequent brief, we will then attempt to deal with the present freight rate structure, which goes directly into the matter of rail distribution

costs of manufactured materials.

THE WITNESS: I want it to be quite clear that my remarks apply to raw materials and not to finished products.

MR. DESMARAIS: Q. In paragraph 2 on page 11 you suggest in that paragraph that the Newfoundland operations of the Canadian National Railways should be higher than that of a division of the Atlantic Region. Has this matter been discussed with the C.N.R.?

A. It was discussed, I believe, in connection with the Terms of Union originally, but after this, the coastal system came into the picture, and it has a considerable effect on the picture in that I do not think that it is reasonable to suppose that a railway centre at Moncton can ever hope to operate our steamship system satisfactorily. It is a critical operation; you have to know the people; you have to know local conditions; you have to know also the conditions the coastal system is called on for; not only for commercial operations, but for mercy calls, ice breaking and all kinds of other things.

Q. And for all these purposes, you believe there should be a division here of the Canadian National Railways?

(No answer.)

Q. In paragraph "c" at the bottom of page 12, you say that the coastal service operators are not making any general classification of goods by kind, and you go on to say they are classified on weight, cubic and barrel basis. Is this classification any different

than anywhere else; is this the way it is done elsewhere?

A. The steamships did it, but there is no classification similar to that on the Canadian National Railways transportation system, as far as I know.

Q. In paragraph "d" on page 13, you state that this is generally speaking an unscientific method of operating; could you elaborate on this?

A. I believe it is. I do not pose as an expert at all in any way, and these observations are purely general. We may be talking entirely through our hats. We would like to see this advisory committee, a permanent advisory committee, set up, and we hope they will study these things when they are set up. But a barrel is a barrel and if it takes the same rate whether it is a barrel or a barrel full of watches, I cannot see any scientific method of arriving at that conclusion.

Q. When you state that certain classes of goods cannot stand the coastal rate level, could you give some particulars on that?

A. Well, I can always talk Coca Cola. There is one of our big troubles. As a matter of fact, Coca Cola is known all over the world as a five-cent article, and it is certainly impossible to get more than ten cents, which means that we have to land it in these faraway outports and parts of the coast so as to sell it at ten cents, and most certainly the cost of handling that is beyond all bounds.

Q. Under "e" and "f" on page 13 you refer to distributorships being set up at strategic points throughout the island, and you say there is no provision

in coastal rates for redistributed goods. Do I understand from that that there should be a joint through rate made between the railway service and the coastal services for this redistribution?

A. There should be some assistance given the redistribution centre. I do not think the man at Grand Bank should have to pay 60 cents for sending his goods down the coast, goods on which he has already paid 70 cents.

Q. Now in paragraph "g" on page 14 dealing with the five-cents-a-package toll collected by wharfmen at public wharves, has this been a custom of long standing?

A. As far as I know it goes away back. It was a reasonable arrangement, I should imagine, originally, because this wharfman is not paid anything. He is generally a fisherman or farmer and when boats come to the public wharf he looks after them and he was always paid on a five cents a package rate. On the other hand, we find that when a package is landed on the wharf and shipped off again to be redistributed, ^{there} is a cost of ten cents a package. That package may be a truck or it may be a case of Coca Cola, it is still ten cents, and ten cents is more than Coca Cola can stand for wharf purposes.

Q. And you suggest that this charge be removed?

A. Yes, or graded.

Q. Now, in paragraphs 36-43 on pages 15-18, you deal with the importance of St. John's from the commercial, industrial and national defence points of view, and you

submit that St. John's should be established with all possible speed as a national harbour. Now the provincial brief has dealt rather fully with this matter. Is there anything further that you wish to add that you have not already stated in your brief or was not said yesterday on the subject?

A. I was not here for the full term yesterday, so I do not know exactly what was said.

Q. The point was suggested that Bay d'Espoir might be specifically suitable as a national harbour, and if there was only one to be created, what would be your opinion of its location?

A. Again I am not an expert, but I do think from a business standpoint that where you have a utility already half created, I do not think you should throw that away.

THE CHAIRMAN: Q. You refer to St. John's?

A. I would say if Bay d'Espoir calls for a national harbour, well and good; let one be put there; but I would say this, that St. John's has so many natural advantages and is already so much built up that I do not think the port facilities here should be overlooked when spending money.

MR. DESMARAIS: Q. In paragraph 43, pages 18-21, you outline your specific recommendations. Your No. 1 recommendation deals with the fostering of secondary industry. Do you suggest that this could be done, or be done entirely through the freight rate structure?

A. Not entirely, but as far as the power of

changing the freight rate structure is concerned, it should be done with that aim in view.

Q. With regard to item 3, page 18, dealing with special rates on raw materials, do you think this should be done with specific listings of raw materials.

A. I think the mechanism is fairly simple. It could be quite practicable to do so. Under our old customs tariff we had certain goods used for the purposes of manufacture which were always duty free. It was no trouble at all. There was never any question. It worked out perfectly. We had a case of two of our larger companies which bottled soft drinks and also made biscuits. The sugar for the biscuits was duty free and for some unknown reason the sugar for the soft drinks was taxed, and there was never any trouble about distinguishing between the two cases.

Q. Which would be the principal raw materials that you believe should be thus listed and would be necessary?

A. Flour, sugar, most heavy materials. These are the two things which are suffering most now. Flour is 47 cents more a bag than in St. John, and sugar is 45 cents, which is a terrific difference.

Q. Article 7, page 19, refers to the creation of a new rate structure to be made applicable to Newfoundland, and you say to offset the disadvantages arising out of your insular position and as the most easterly province of Canada. Does this mean lower rates than the maritimes generally?

A. Definitely. We are not completely concerned with the Maritime Freight Rates Act. That applies only

to a very small proportion of our importations because it only helps out goods that come across the strait or are routed by direct boat from Halifax to here.

Q. If special treatment be given to Newfoundland might this not raise some repercussions in the other maritime provinces?

A. Well now, that is a matter of opinion again, and a matter of right or wrong, we consider. We think definitely from every position, our constitutional rights and everything else, that we deserve special treatment, and we think we should get it, no matter whose nose is put out.

Q. In the first paragraph on page 21 you suggest the railway should be treated as a means of political union. You would suggest that the railway be subsidized, if necessary, for any difference in the rates established below normal rates?

A. Our quarrel is not with the Canadian National Railways.

COMMISSIONER INNIS: Q. You are not in agreement with the government's policy on this question?

A. I do not know what the government's policy is.

Q. They would not concur with the general statements you have given here.

MR. LEWIS: Mr. Commissioner, if I may be permitted to say so, I take it you are referring to Captain Dalton's evidence.

MR. COVERT: Perhaps I can clarify that. Where you refer, Dr. Innis, to the statement that they are not asking for anything greater; they wanted the same treatment -- is that what you had in mind? That was a

definite statement that I made a note of, and it seemed to me that the Newfoundland Industries Association is asking for something far more. I was wondering if that was what you had in mind.

MR. LEWIS: I think the point to which the Commissioner refers is the question put to Captain Dalton in the witness box. He made certain statements, but I am not prepared to accept these as representing the policy of the government. What Mr. Covert said is correct, as being a repetition of what was supposed to have been said at Ottawa, that we were entitled to freight rates no better and no worse than obtained in the maritime provinces.

COMMISSIONER INNIS: Would you agree that the railway should be thought of as an instrument of government policy?

MR. LEWIS: That is a question which I am not prepared to answer without instructions.

HON. MR. SMALLWOOD: If to give Newfoundland as good as the maritime region or the select area gets, means having the Canadian National operate at a profit or at a loss is quite immaterial to us, so long as we get what the maritime region gets, which is the assurance given us. Whether that may involve the Canadian National in traffic losses, we are not concerned. In that sense, yes, the C.N.R. would be operated as a political instrument, as an instrument whereby or through which the Canadian government's policy towards Newfoundland would be carried out.

COMMISSIONER INNIS: Thank you very much. That is exactly what I wanted to find out.

MR. DESMARAIS: Q. Just one more point; on your schedules 2 and 3 I understand the proposition is to show rate increases that have taken place in the railway rates?

A. Yes, it is merely informative, just a schedule put in for general information.

Q. There is no special comment you wish to make?

A. No. You will notice the statement made in the article referring to it here is not quite correct. The percentages are not right. I do not know how that occurred, but as can be seen by the schedule itself there is no general 10%. The exhibit speaks for itself.

Q. When you say, "Presumably 8% more in prospect," to what do you refer?

A. To the new one coming in on October 11th, and our object, as you can see, is to try to persuade somebody not to put it on the coastal rates.

MR. DESMARAIS: That is all I had to ask, Mr. Chairman.

THE CHAIRMAN: Mr. McEvoy, did you wish to ask any questions?

MR. McEVJOY: I shall not be very long, my lord.

RE-EXAMINED BY Mr. McEOY

MR. McEOY: Q. Let us get in a nutshell if we can the disadvantages to which local industry is subject and has been subjected as a result of confederation. You say that prior to union the secondary industrial economy of the country was built up under a protective tariff?

A. Yes.

Q. Under that protective tariff am I correct in assuming that you purchased much in the United States which you are now compelled to purchase in the industrial provinces of Ontario and Quebec?

A. Correct.

Q. Without the benefit of that protective tariff that you had?

A. Yes.

Q. Now you say that you have disadvantages by virtue of climatic conditions and an isolated position. What exactly do you mean by that?

A. The north of the country is frozen up for half the year which creates a terrific problem of stocking between seasons.

Q. Let us look at it this way. The importation of raw materials, where do you go for them now?

A. I cannot speak for the whole industry.

Q. But where do you go?

A. I would say most of the industry goes to Montreal and Toronto.

Q. And the additional haul, say from Halifax or Sydney to St. John's, is what?

A. The additional haul from Halifax to St. John's is from Truro, Nova Scotia, to North Sydney, 207 miles; across the gulf, 100 miles, then from Port aux Basques to St. Johns, over 500 miles.

Q. So that the further east you go the longer the haul becomes. Am I correct in concluding that there is a corresponding freight rate increase?

A. Definitely.

Q. So that the further east you go, the correspondingly more it costs you to get the raw materials, before you start to manufacture at all?

A. Exactly.

Q. Now, assuming that the raw materials are carried over the Canadian National system, can they be carried uninterruptedly, that is to say, by unbroken transportation from Montreal, as would be the case to Halifax, St. John or any other maritime place of industry?

A. Definitely not.

Q. How many times would the transportation have to be interrupted before you can put them down at St. John's?

A. May I go a little off the track and say it has to be hauled through the maritimes quite an unnecessary number of miles?

Q. You contend it has to be hauled through the maritimes an unnecessary number of miles. That is the first consideration. What is the mileage?

A. Truro to North Sydney is 207 miles; Truro to Halifax, 64; from North Sydney we have another 100 miles across the strait and a rail haul 547 miles to St. John's. From Halifax the water distance to St. John's is almost the same as the rail haul across Newfoundland, 550 miles, so that by this route we have 854 miles as against their rail and sea haul of 614, for which we have to pay.

Q. Now are you contending for the principle of re-routing; for example, let us put it this way. Supposing you purchased raw materials in Montreal tomorrow which were routed via Sydney. Is there a

shorter route which might be taken as opposed to the route which has to be taken which would lessen transportation costs?

A. Yes, definitely, through Halifax.

Q. And you therefore contend that re-routing would result in lessening transportation costs from Upper Canada down to the maritimes?

A. It would if it was taken on a mileage basis. It is a matter which I feel I would rather not go into but it is one of the considerations which might be taken into account.

Q. Now to get it down to Sydney, what happens there? Does it come on through by rail?

A. It has to be taken from the railway car to the pier at North Sydney and handled over the wharf into the hold of the ferry; it goes across to Port aux Basques and again has to be handled out of the hold of the ferry and placed on the smaller Newfoundland cars.

Q. So that you have the transportation interrupted twice, interrupted at Sydney to be loaded aboard the ship and then interrupted when the ship arrives at Port aux Basques and reloaded aboard the train?

A. May I carry on now with the other factors. You have the factor of delay which is considerable, the factor of breakage in double handling, incidental pilferage which you suffer, and there are also numerous other disabilities. You have to get your stock in larger quantities because with regard to deliveries, you do not know when you are going to get them.

Q. In addition therefore to the two interrupted

or broken transportations which the import of raw material from Upper Canada to Newfoundland must undergo, there is the additional factor of longer distance, and the further east you come ^{the} correspondingly higher the transportation rates cost?

A. Yes.

Q. Reference was made to the fact that approximately seven per cent of the freight inwards to Newfoundland was brought by the Canadian National Railways system since it is in operation?

A. Yes.

Q. Assuming that the Maritime Freight Rates Act has no application -- and I will tell you it has not -- to the carriage of goods by sea; we must therefore assume that all the rest and residue of inward traffic has been brought by sea?

A. Yes.

Q. Therefore the bulk of traffic from the mainland into Newfoundland is brought by sea as opposed to rail?

A. Right.

Q. Therefore no matter how low the preferential rate provided by the Maritime Freight Rates Act would provide, I suggest to you it would provide no appreciable relief because an infinitesimal part of the goods coming into Newfoundland comes in by rail?

A. About five percent.

Q. Ninety-five per cent is coming by boat to which the Maritime Freight Rates Act has no application?

A. Right.

Q. Therefore your contention is that for all practical purposes irrespective of the preferential rate conferred by the Maritime Freight Rates Act upon the maritime provinces, that offers comparatively no relief to you at all?

A. Very little relief. But I am not prepared to make a pronouncement on that. I do not know what this new agreement between the steamship companies and the C.N.R. and the C.P.R. may mean.

COMMISSIONER INNIS: Q. We were told this morning that rates on goods coming in to St. John's by water or rail would be the same. If the all-rail rate is reduced by the Maritime Freight Rates Act, does that mean that the water rates will be lower?

A. I am not prepared to answer that.

Q. In clause 16 you say:

"These factors are, therefore, additional to and of necessity, greatly increase freight costs which must be kept in mind when a fair and equitable rate structure is being determined."

The reason why, I believe, you contend that, is that no matter how low the preferential may be, no appreciable relief can be obtained unless and until jurisdiction over carriage of goods is regulated so as to give you the same position as you would be in if, for example, you were located in the maritimes?

A. Right.

Q. Do you therefore contend that it is not a question of equality of rates at all -- rail rates -- but

equality of opportunity?

A. Exactly.

Q. So that you are put on the same footing as the maritime region, irrespective of rates?

A. Exactly.

Q. That whether the differential in the case of Newfoundland was higher or lower than that obtaining in the maritime region under the Maritime Freight Rates Act, is immaterial to your purpose?

A. Exactly.

Q. Because of the climatic, geographic or other disadvantages to which secondary industries is presently subject as a result of confederation?

A. Exactly.

CROSS-EXAMINATION BY MR. DYSART

MR. DYSART: Q. I notice in the last page of your brief you suggest that the C.N.R. and the coastal system in Newfoundland be regarded as a means of political union, and not as a commercial enterprise. Would you not agree that this is exactly what has been done since confederation? Would you not, as a business man, agree that the Canadian National Railways, as far as the operation of the Newfoundland Railway and the steamships are concerned, are not being operated on a commercial basis at all? That they are being used as a means of political union?

A. I want to consider how far I am going to go on that.

Q. You made the suggestion that the C.N.R. and the coastal system in Newfoundland should be regarded as

a means of political union. And I suggest to you that that is what Canada has done in relation to this enterprise. You would not suggest, as a business man, that a railway and steamship service should be operated at a substantial loss and still continue to carry on on a sound commercial basis?

A. That depends on revenues and expenditures.

Q. If your revenues and expenditures are such that you have an operating deficit?

A. And you continue operating -- you are either a public citizen or someone is subsidizing you.

Q. So that when the Canadian National Railways is directed to take over the management under the conditions outlined here, it is being used as an instrument of political union?

A. I am not prepared to say that to that extent. Let us steer clear of that.

Q. We come to the question of degree. You are suggesting that in order to relieve the obstacles outlined in your brief, further concessions be given and further use be made of the railway as a means of political union, irrespective of where the chips may fall:

A. Correct.

Q. Does it matter to you, as a representative of the secondary industries, whether the results which you hope will be achieved are brought about by means of a reduction in freight rates or some other alternative.

A. As long as they are based on equality.

Q. You do not care whether they use the railway or some other alternative?

A. That is our object.

Q. You are not saying, in effect, that the freight rates reduction is necessary?

A. We definitely are.

Q. You are suggesting that as an alternative.

You know the freight rates are already covered by the Terms of Union, and the Fathers of Confederation in Section 32 set out what should be done. And without getting into a dissertation on that -- although I suggest that is what they have done -- you still are not satisfied. You say you should be placed in a position of equality. I suggest to you that it does not matter to the secondary industries whether or not they are placed in that position you asked to be placed, by means of freight rate reduction or some other alternative, as long as it is done lawfully and gets you there. Is that right? If it is done by some other means, you do not care?

A. If the C.N.R. can talk themselves out of any obligation to the federal government, they can do it.

Q. If instead of reducing freight rates, if the relief needed to place you in the position of equality you ask, should take the form of subsidizing the industry itself, what would you say?

A. I would have to give that very careful consideration.

Q. You have no objection, assuming you do not object to subsidies, also, whether it came from the dominion government or the provincial government?

A. Hold on now. Do not lead me down that way. There are other ways and means.

Q. You are speaking about difficulties in trans-
shipments at North Sydney and that you are faced with
unnecessary handling and breakages and things of that
sort. Is it not true that traffic moving from Montreal
to Halifax by rail for ultimate delivery in St. John's
would have to be transshipped as well?

A. Yes.

Q. You would have the same handling?

A. No.

Q. You would have part of it?

A. That is different. You are getting double
handling at Port aux Basques.

Q. That position always pertains where you have
water and rail movements?

A. Yes.

Q. That pertains in British Columbia.

A. That is a long distance away and I daresay it
does.

Q. About pilferage. These are not risks the
shippers assume?

A. Yes, and there are hidden breakages.

Q. Maybe you were not successful in establishing
your claim.

A. I cannot ship glass via the C.N.R., unfortunately.
I would like to do it. But it has to come by double
handling over to Port aux Basques and it breaks.

Q. Would that be due to imperfections in the
packaging?

A. No.

Q. It is not the fault of the C.N.R. either?

A. It is the extra handling, not the bad handling.

Q. It may be that you should use thicker glass or unbreakable glass?

A. Maybe.

Q. Now, we will return to your own problems. Have you taken up with the railway company or made any representations to the railway company since confederation with respect to these things?

A. We have had pleasant dealings with the C.N.R.

Q. You got your concession?

A. Yes.

Q. You made a good bargain?

A. A fair bargain.

Q. I suggest to you respectfully that in the various claims made to the officers of the C.N.R. you will find them most sympathetic and wherever conceivably possible, rate adjustments are made.

A. That is one thing in which we are in complete agreement. We received excellent treatment from the C.N.R. I am only too glad to say so. But we will have a few more battles.

Q. Not battles, I hope?

A. Warm discussions. We are still quite friendly, but we have had rate increases.

Q. In what particular rates? Rail rates, coastal rates, or both?

A. I am referring now to -- No, I better leave that.

Q. If you are referring to this 8%, I will set your mind at rest. This 8%, I will tell you, the Board

of Transport Commissioners who authorized this 8% increase in rail rates has no jurisdiction over the coastal service. Consequently the 8% does not apply to the coastal service. Now you can breathe easier for a while.

A. I was wondering what the C.N.R. would do.

Q. I do not know, and you may have the opportunity of discussing it with them.

Now, if raw materials rates were reduced into Newfoundland in order to keep your secondary industries accelerated, as you anticipate, would you not expect the manufacturers in Ontario and Quebec to seek reduction in rates on their finished products into the maritimes and Newfoundland?

A. Again, I think, that is a political consideration. We are not comparing one transportation problem with another. That is something which is committed.

Q. You contend that to be one of the Terms of Union?

A. Definitely.

Q. Just in order that I may understand you correctly, do you contend one of the terms of Union to have been that those concessions outlined in your brief were promised to the province of Newfoundland irrespective of what the political or other consequences might be for the rest of Canada?

A. Exactly.

Q. And having received that undertaking from the dominion government you expect it to be implemented?

A. Yes.

MR. COVERT: I understand that Mr. Lewis has one more witness.

THE CHAIRMAN: What is the point, Mr. Lewis?

MR. LEWIS: I am asking Mr. Simpson, Manager of the Newfoundland Railway, to give certain evidence in relation to the coastwise system arising out of the brief submitted yesterday.

FRANK SIMPSON, called

EXAMINED BY MR. LEWIS:

MR. LEWIS: Q. Your name, sir, please?

A. Frank Simpson.

Q. And your occupation?

A. Manager of the Newfoundland district, Canadian National Railways.

Q. Mr. Simpson, you have been good enough to make yourself available as a witness to us, and I do not propose to ask you any specific question, but rather to direct your attention to the section of the provincial brief dealing with coastwise transportation, and I would be very much obliged if you would give the Commission the benefit of your observations in relation to that system, both as to adequacy and implementation and also in relation to subsidies that are paid in respect to mails, the carriage of mails?

A. You do not want to ask me any questions?

Q. I would prefer you to make a statement.

A. I was here yesterday when Captain Dalton went over that subject, and I thought he covered it rather fully. He spoke also of the subsidies. As I recall

it, he gave some competitive figures for several years back, and pointed out how the figures of the last years were totally inadequate for the services performed. My own opinion is that the word "subsidy" is entirely wrong here. It is not a subsidy at all. It is a so-called recognition for services rendered, and in my opinion it has been cut down to a very low ebb. In the first place, we get 50 cents per mile irrespective of whether there is one bag or 10,000 bags of mail, and that is very wrong.

Q. This payment is made in relation to the carriage of mail specifically?

A. Yes, as I said it is paid whether there is one bag or 10,000, and that is a very different matter, as 10,000 bags would take up a lot of space, which would otherwise be used for the carriage of freight, but we get no recognition for this differential.

Q. Does this apply specifically to the straits crossing?

A. It applies to all the steamship runs.

Q. Is that position more aggravated in the straits than generally as to the volume of mail?

A. Not any more than generally. For example, I went down to see the Northern Ranger on the first trip out this spring. I had only been here a few months then -- or rather about a month or so then -- and I found a person could not get around that boat for mail. There was no room for passengers or anything else on that boat. There were 3,000 bags of mail on that boat. This boat leaves St. John's and goes all the way round the northern part of Newfoundland and down the west coast to Corner Brook.

Q. And all you got for that mileage was 50 cents per mile and in the meantime passengers were suffering and freight was suffering?

A. Yes.

Q. Do you agree -- you have read this brief, I think?

A. Yes, I have read it roughly, Mr. Lewis.

Q. Do you agree with the recommendation relative to increasing of the payment to the steamships, call it what you like, subsidy, subvention, or what?

A. Quite definitely. I will say that I have been making representations to the Post Office Department, very strong representations.

THE CHAIRMAN: Q. What does the department say about it?

A. My lord, they will not say anything.

MR. COVERT: Might I at this point remark that this payment is being made on a contract with the Post Office Department; is not that correct, and it is not regarded as a subsidy?

THE CHAIRMAN: That is what I thought.

MR. COVERT: They have been paying in the past for the carriage of mail on a subsidy basis, and I believe that it has been recommended that the subsidy basis disappear and that it be done purely on a contract basis.

THE CHAIRMAN: Is this 50 cents a contract or subsidy?

MR. COVERT: It is a contract; that is my understanding.

THE CHAIRMAN: And it is Mr. Simpson's contention that this 50 cents per mile is a totally inadequate payment, and he has said that he has taken it up with the department and received no satisfaction?

THE WITNESS: May I explain, my lord, that the 50 cent arrangement was with the Department of Posts and Telegraphs of the previous government in Newfoundland, and that has been transferred to the federal Post Office.

THE CHAIRMAN: Q. Mr. Simpson, have you approached the Dominion Post Office on the point?

A. I have approached our headquarters office, and they have taken it up with them or have had it taken up with them, but they have had no results.

Q. That is the point that I wished to make. The federal Department would have to be approached on the question of how much certain departments of government are paying certain companies to do certain work for them.

MR. LEWIS: I would like to state to the Commission that so long as the subsidy was being talked about we did not care what it actually was called. From time immemorial, we have called it a subsidy, this payment to the coastal operators for the carriage of mail around the coast.

THE CHAIRMAN: Q. With whom was this contract made?

A. Before April 1st.

Q. Since it became a contract, with whom was it made?

A. It was, as I have stated, a contract with the Commission of Government in Newfoundland, but since

April 1st the contract has been transferred to the Post Office Department at Ottawa.

Q. And now you think the contract price should be revised upwards?

A. Very considerably.

Q. Was it transferred or negotiated?

A. It is being negotiated now.

COMMISSIONER INNIS: Q. The Canadian government in the first instance took over the contract from the Newfoundland government?

A. Yes.

MR. LEWIS: Q. You were coming to the point there in relation to your dealings with the mail business where you stated that it was infringing on passenger accommodation on the ship, which takes us to another point set out in the brief as to overcrowding. I wonder if you would care to make any observations in relation to that particular feature of the coastal system from your experience as manager?

A. I would like to say that the one instance I referred to is not probably the worst example.

Q. That would be the Northern Ranger?

A. Yes. In answer to your other question, I would say I am repeatedly receiving letters complaining about the inadequacy and infrequency of the service, and the general overcrowding of the boats. It is a fact that across the strait we have been handling full boat loads all summer, and all season long.

Q. Would you mind giving the Board some idea of the passenger capacity of these two ships?

A. The Cabot Strait has berths for 142 passengers, and we got a second boat, the S.S. Burgeo, and put her into the service to provide for the daily service. The Burgeo has accommodation for 118. We have exceeded those figures on quite a number of occasions, but not seriously. Throughout the whole summer there have been repeated complaints, however, about the coastwise service quite apart from the Cabot Strait service. I would say I have received a couple of dozen letters along those lines, besides phone calls from government sources and other individuals who have travelled, tourists, all along the same lines; that we would like to see better accommodation and more accommodation.

Q. This complaint is of general application in relation to your ships?

A. It has been this summer, due to the influx of tourists, largely.

Q. In that connection, we have made recommendations in the provincial brief relative to the providing of additional coastwise steamers. Would you agree or otherwise with that recommendation?

A. Well, that might be a matter of very high policy. I am certainly quite sure, in so far as I can see, that if we had additional vessels we wcould provide a more frequent service on some of the routes existing now.

Q. One other question, Mr. Simpson, and that is your reaction to the recommendation regarding the providing of feeder roads, that is, feeder roads as auxiliaries to the coastal service, as an implementation of the railway service. Would you care to make any observation in that respect?

A. I have made several trips coastwise and across on the railway since I came here, and one of the things I have considered outstanding has been the ~~solitude~~ and lonesomeness of some of these outports; no connections at all except the odd call of a boat, no roads, no railways. It is quite apart from railway operations, but it seems to me that the outports could be centralized at some point, where there is a steamship port of call, by radial roads, that is roads from various points centering at some point where the boat would call; probably that same point would be a railway connection, and thus give the inhabitants of the coast connections on both sides and inland as well.

Q. That is to the coastal system and also to the railway line?

A. Yes, it would give them contact with the rest of the world.

Q. In the brief there is a specific recommendation regarding a national harbour; generally do you agree with these suggestions?

A. There are some parts of the country naturally that I have not seen, but looking at the map there are lots of points besides those mentioned in the brief that might well be investigated along those lines for the benefit of the Newfoundland people and their country.

Q. The question of the establishment of a national harbour at Bay d'Espoir has been specifically recommended in that brief. In that connection it has been suggested that a branch line of railway would be constructed from that point to a suitable point on the mainland. Would

you care to make any observation in relation to that particular recommendation?

A. That is a very huge undertaking. I think the distance might be somewhere around eighty or ninety miles. The construction of a narrow gauge railway through that territory -- I have not been over that territory, but I assume it is along the same lines as the balance of the country -- would cost about \$100,000 per mile. Assuming that the distance would be 90 miles of railway, the cost would be about \$9 million. That is a large size contract I would say; and I would certainly think that the matter would have to be carefully investigated to see what return there was going to be for the \$9 million plus the operating losses that would be bound to ensue from such operation. In other words, there would have to be some other consideration than traffic that would be offered on that 90 miles of line. If, for instance, Bay d'Espoir were a national port, or it is decided it should be an open port or what have you, and there were more than the present traffic on the Newfoundland Railway now, that would be a valid reason for building the line.

Q. Assuming that the natural resources were available in the area such as have been suggested, which could be really established after investigation, would you consider the idea practical?

A. There is nothing impractical in building a railway.

Q. I suggest -- in fact we have figures that we have timber areas there and water power for the establishment of a mill for newsprint using also timber from

Labrador; it would also be an outlet from Grand Falls and Buchans to an all year round port, plus the elimination of the Topsails for winter traffic.

A. That would not eliminate the Topsails.

Q. It would not?

A. Oh, no. I presume that Port aux Basques would still have to be maintained for the west coast line.

Q. Would you still propose to operate the Topsails in the winter time?

A. If you will suggest to me how to get around using the Topsails in winter time, I will be very much obliged.

Q. I suggest that is one way?

A. I would ask you how you would serve Corner Brook.

Q. Serve it through Port aux Basques. I suggest to you that by opening a port at Bay d'Espoir you can get away from operating the Topsails.

A. You could get away from operating the Topsails even now if you wanted to by using St. John's for east coast traffic, moving the traffic west, and Port aux Basques for west coast traffic, but I am afraid there would be serious objections to that.

Q. You would still have to operate the Topsails?

A. I am afraid so.

- - - - -

MR. COVERT: There is just one exhibit I want to file in connection with the Bowaters brief. The one which was originally filed referred to Exhibits "A" and "B". These were not available yesterday. Now, Mr. Murphy of Bowaters has left five copies, and I think in addition

to Exhibits "A" and "B" they have a map of Newfoundland, and they will be filed tomorrow.

THE CHAIRMAN: They already have a number?

MR. COVERT: Yes, No. 80.

EXHIBIT NO. 80 -- Submission of Bowaters Newfoundland Pulp and Paper Mills Limited.

MR. COVERT: That finishes the deliberation of the Commission at St. John's.

---The Commission adjourned to meet again
on Tuesday, November 1, 1949, at
Ottawa, Ontario.

A.R.

ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

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ROYAL COMMISSION ON TRANSPORTATION

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ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, ONTARIO,
Tuesday, November 1, 1949

HON. W. F. A. TURGEON, K.C., LL.D. Chairman
HAROLD ADAMS INNIS Commissioner
HENRY FORBES ANGUS Commissioner

- - - - -

G. R. Hunter P. L. Belcourt,
Secretary Asst. Secretary

- - - - -

COUNSEL APPEARING

F. M. Covert, K. C.	)	Royal Commission on
G. C. Desmarais, K. C.	}	Transportation
Hugh E. O'Donnell, K.C.	)	Canadian National Railways
H. C. Friel, K. C.)	
C. F. H. Carson, K. C.	)	Canadian Pacific Railway
F. C. S. Evans, K. C.)	
I. D. Sinclair)	
Wilson E. McLean, K.C.	)	Province of Manitoba
C. D. Shepard)	
M. J. MacPherson, K. C.	)	Province of Saskatchewan
J. J. Frawley, K. C.	)	Province of Alberta
C. W. Brazier	)	Province of British Columbia
F. D. Smith, K. C.	)	Province of Nova Scotia
		Transportation Commission of
		the Maritime Board of Trade
J. Paul Barry	)	Province of New Brunswick
J. O. C. Campbell, K.C.	)	Province of Prince Edward
		Island
P. J. Lewis, K. C.	)	Province of Newfoundland
F. R. Hume	)	Canadian Automotive
M. L. Rapoport	)	Transportation Association
S. Bruce Smith, K.C.	)	Trans-Canada Highway System
		Association

MORNING SESSION

The Commission met at 10.30 A.M.

MR. COVERT: Mr. Chairman, before calling the first case on the agenda, I would like to say that we have followed generally the same procedure as had been followed during the regional hearings, that is, the order of examination; and for the benefit of counsel who were not present at those hearings, I would like to say that when briefs are presented, the practice has been to have Commission counsel either examine first or last. There has been flexibility in that, and I thought that we should continue it, generally speaking. Provincial counsel examine first and then are followed by the railway counsel. I thought that should continue.

Now the temporary agenda has been furnished to all parties interested and this we hope to be able to follow. The first submission is that of the Trans-Canada Highway System Association.

MR. S. BRUCE SMITH, K.C. - Called.

MR. SMITH: Perhaps first, sirs, I should explain briefly what the Trans-Canada Highway System Association (Yellowhead Route) is. It is an association of people and organizations in the four Western Provinces - the three prairie provinces and the province of British Columbia. Its officers and Board of Directors consist of five members from each of the four provinces. The president is Mayor H. D. Ainlay, of Edmonton; Vice president, A. W. MacPherson of Saskatoon, Saskatchewan; Secretary treasurer, E. T. Love of Edmonton, Alberta. I have a list of the directors here. It is an entirely voluntary organization supported by public contributions. It has been active for several years in the promotion of a campaign for the construction of a Trans-Canada Highway. I might perhaps say

Oct. 25th, 1944, to November, 1948, it raised the sum of \$10,942.00 which was used in the carrying on of a campaign in favour of the construction of a Trans-Canada Highway. I have a list of the contributors during these years.

Manitoba Board of Trade

Board of Trade, Yorkton, Eastern Saskatchewan

Saskatoon Board of Trade

City of Edmonton

Kamloops Board of Trade,

and many organizations of that type.

I might also say that, sirs, when our brief which has been filed and which I am about to present, was prepared, I forwarded copies to both railway companies and to the Attorneys-General of each of the ten provinces and to the Minister of Reconstruction in Ottawa.

I now turn, sirs, to the printed brief which I have filed.

SUBMISSION
of the
TRANS-CANADA HIGHWAY SYSTEM ASSOCIATION
(Yellowhead Route)

TO THE ROYAL COMMISSION ON TRANSPORTATION

INTRODUCTION

The Royal Commission on Transportation is charged, by its terms of reference, with the duty, among other things, of reviewing and reporting to the Government of Canada, "upon the effect, if any, of economic, geographic or other disadvantages under which certain sections of Canada find themselves in relation to the various transportation services therein," and of recommending "what measures should be initiated in order that the national transportation policy may best serve the general economic well-being of all Canada."

The Trans-Canada Highway System Association (Yellowhead Route), which has been working actively in support of the construction of a Trans-Canada Highway for several years, respectfully submits that the Commission, to effectively discharge its duty, ought to consider what measures should be initiated in respect of the Trans-Canada Highway in order that the policy in respect of it may best serve the general economic well-being of Canada. It is commonplace to say that motor transportation has assumed tremendous proportions in Canada, but its effect on the economy is material in matters of this kind.

With these considerations in mind the Association strongly urges that it is in the best interests of

'Canada that a Federal Highway Commission or Authority, or alternately a Royal Commission be appointed by the Federal Government to study either all phases of the construction of a Trans Canada Highway or those concerning the construction of the Highway from Winnipeg to Vancouver. Towards that end, the Association will endeavour to demonstrate that the merits of building such a Highway through the mountains by way of the Yellowhead Route emphasize the need for the appointment of a body of one of those two types to seek out and to weigh the advantages and disadvantages of all proposed routes.

TRANS-CANADA HIGHWAY A NATIONAL UNDER-TAKING AND A FEDERAL RESPONSIBILITY

It has been learned through press announcements and from the Speech from the Throne that the Government of Canada anticipates that the construction of a proposed 'Trans-Canada Highway will commence in the Spring of 1950, and that legislation providing for the construction of the project will be presented at the present Session of Parliament. As well, it is understood that, while no financial agreement has been reached between the Provinces and the Dominion, the latter will provide a substantial part of the cost of the undertaking. Apparently the policy of the Federal Government is that the route to be followed will be selected by agreement between the Provinces.

The Association receives such information with strong misgivings because it feels that critical matters relating to a national highway ought not to be decided by compromise, but rather after the careful decision of an independent body seized with

all the relevant facts. It seems reasonable to suggest that a Trans-Canada Highway should be built not for sectional purposes but to serve the country as a whole, and its imminent construction appears to this Association to assume, with the development of motor transportation, an importance rivalling the building of the Canadian Pacific Railway in an earlier era. It seems obvious that an enlightened decision is required.

The ultimate cost of the undertaking to the nation will be tremendous. It is difficult, if not impossible, to secure accurate figures as to the expenditures which will ultimately have to be made, but sums up to half a billion dollars have been mentioned in the press. The enormous cost of the project alone, with its effect on the national economy, itself lends cogency to the submission that the matter must be determined in an impartial manner and on a national rather than a provincial level. The vast probable expenditures emphasize the need of the various suggested routes being studied with a view towards ascertaining their comparative cost, in order that the money and effort will be most effectively applied and this body feels that a definite standard of construction should be set for the project, and costs considered with this in mind. A Highway Commission or a Royal Commission, it is submitted, would be in a position to correlate these and other factors, and thus to determine the matter in a legal fashion.

The nature of the highway itself should be determined on a national plane. The completed work ought to be uniform in its character throughout the nation, built to a standard consistent across Canada. It must be a safe road, with low curvature, good visibility and a hard

surface. It

should be capable of handling traffic effectively throughout its entire course, and there ought to be assurance that those using it may expect and encounter uniform conditions throughout. With these considerations in mind, the Association urges that a four lane highway should ultimately be built, and that the route to be selected should be capable of accommodating this type of construction. Regardless of whether a four lane highway can be economically undertaken at the present time, its ultimate necessity ought to be kept in mind, from an engineering standpoint, when comparison is made of the costs of the different routes. The advisability for considering and determining such matters on a national scale is apparent.

Policies of national defence appear to require that plans for a Trans-Canada Highway be taken into consideration. It is true that the railroads must play a vital role in the matter of defence but experience in the recent war has shown that railroads are vulnerable to attack. A national highway might contribute substantially in the event of conflict, for armies are to-day largely mechanized. The system of national highways built by the Nazi Government in Germany prior to, and during the 1939-1945 war, played a large part in the war effort of that country and in its defence. Consideration ought therefore to be given to the defence aspect, when determining the character and route of the proposed highway. This can only be done effectively on a national scale. So vital a factor in our plans for national defence ought not to be left to determination by the Province through which the Highway will pass.

Perhaps at this stage I might leave this brief, if I may, and read from a publication I received.

from the Public Roads Administration, Federal Works Agency, Washington, D.C. It was published in 1949. It relates to railway practice in the United States of America and contained an entire history of administration systems standards, location and design, construction and maintenance in the United States. It is a very interesting and very valuable publication. I have already given copies to the Commission Counsel, and if I may, sir, I will tender three copies of Railway Practice.

MR. O'DONNELL: By whom was it published?

A. It was published by the Federal Works Agency Washington, D.C., 1949.

MR. CHAIRMAN: Q. Are you making this an exhibit?

MR. COVERT: There are other exhibits filed. There is Schedule A to the Brief. We might file the brief as Exhibit 81 and call this Exhibit 82.

MR. FRAWLEY: Could you repeat the name?

A. Public Roads Administration, Federal Works Agency, Washington, D.C. It is obtainable from the United States Government Printing Office in Washington.

MR. FRAWLEY: Thank you.

MR. SMITH: On this aspect of defence could I read from this publication, page 13:-

World War II

It is not appropriate to pass over the war period without some mention of the great use made of highways in channeling our resources to war production. The country was soon dotted with war plants, training areas, and munition centers. Heavy traffic flowed to embarkation ports on both coasts. Main highways were crowded with war traffic. Trucks carried raw materials, parts for war machines, and interchanged partly finished machines between plants. (For description of Exhibits No. 81 and 82 see page 6643)

"Highways and trucks became an integral part of the war production line. They were also essential in housing and feeding a great army of civilian workers in war plants and in their daily trips to and from their jobs. A superior system of highway transport gave the United States a great advantage over enemy nations."

I go back now to the brief which I was reading at page 6 -

The choice of the route to be followed is beset with difficulties. If evidence is needed of this fact, it is to be found almost daily in the press throughout the Dominion. Within the Provinces themselves, alternative routes are being advocated on every hand. In British Columbia and Alberta four suggested courses have been put forward,-

- (a) Pine Pass leading from the Peach River Block in the north;
- (b) Yellowhead Pass;
- (c) Kicking Horse Pass;
- (d) The Crowsnest Pass or Southern Route near the United States border in the south.

Manitoba and Saskatchewan are faced with two possible choices, each dependant upon the route to be selected through the mountains. There are vociferous elements in Ontario which have for years been pushing each of two routes through the northern part of that Province - the one presently running by way of Geraldton, Hearst and Cochrane, and the other to be built along the North Shore of Lake Superior. There is discussion as to whether the highway in British Columbia should be continued on Vancouver Island, and Newfoundland may well claim that the eastern terminus of the route should be

at St. John's. Prince Edward Island is urging that the highway be constructed on a straight route to the Maritimes from Montreal through the State of Maine to offset the disadvantages which it is claimed were occasioned by the building of the Intercolonial Railway.

It is apparent from these difficulties that most of the Provinces are not themselves in a position to select the route through their respective territories on an over-all basis.

MR. CHAIRMAN: May I ask you a question? Since this brief was written have not the Provinces of Saskatchewan, Alberta and British Columbia selected the route by which they want to go?

A. My difficulties are before that.

MR. CHAIRMAN: My information is that they have made up their mind on the selected route which is going to be followed. There were indications of that a few months ago.

A. The information we have now is more positive. What I was going to say is there was a statement made of the proposed route and the Western Provinces thought that they should select the route but some differences of opinion had arisen and it might possibly be necessary to call another conference between the Provinces and the Dominion. There was a statement that there was still some controversy in Western Canada of the route to be selected. That is the last statement I have seen on the matter. Before that the Dominion Government intended to leave the selection to the Provinces. Some months ago British Columbia indicated that they would prefer the Kicking Horse Pass and Saskatchewan prefer the Southern route because that was the route

on which they had made the largest expenditure.

MR. CHAIRMAN: Go on.

MR. SMITH: Very well, sir. They ought not to be left in the position of having to determine the route among themselves, for at best the result will be based on compromise. And even if the Provinces, to prevent a stalemate, agree where the highway should run, their decision would scarcely be in the best interests of Canada. For instance, the Government of Alberta is not competent to discuss or decide upon the route of the Trans-Canada Highway beyond its boundaries and except in British Columbia and Nova Scotia there will be points of ingress and egress of the route in every Province.

History has shown that we must be alert to avoid costly errors in the construction of the highway. The building of the Canadian Pacific Railway through the Kicking Horse Pass rather than by the Yellowhead Route continues to cost our country vast sums, and the tragic mistakes made in the building of the Grand Trunk Pacific and the Canadian National Railways, to cite but a few examples, are still affecting our national economy - nearly forty years later. The sketchy history of the Trans-Canada Highway affords instances which illustrate the difficulties to be avoided. During the recent depression Federal Unemployment Grants were made to the Province of Ontario for work on a highway along the North Shore of Lake Superior, which that Province had designated as the official route for its section of the Trans-Canada project. But realizing the magnitude of the task of completing it, Ontario pushed on with the easier route between Hearst and Geraldton to the north, finally completing this in 1943. As a result there is presently jealousy in parts of Ontario over the route to be selected for the national highway. The Dominion also spent a

considerable amount of money on the construction of
the Big Bend Highway between Golden and Revelstoke, B.C.

(Page 6655 follows)

EXHIBIT No.81: Brief of Trans Canada Highway System
Association.

EXHIBIT No.82: Book entitled "Highway Practice
in the United States of America"

the distance between the two centres as the crow flies is only some ninety miles but the highway connecting them is approximately one hundred and ninety miles long. And aside from the wisdom, from an engineering point of view, of building this section, there is disagreement in Western Canada as to whether the course along which the Trans-Canada Highway is to be located should be by way of the Big Bend at all. We cite these facts to stress the advisability of the route being selected and determined by a Federal Highway Commission or a Royal Commission, in order that the Highway will be built to the best advantage of all the Canadian people.

It is most difficult to obtain engineering and other data respecting proposed routes for the Trans-Canada Highway. No engineering survey of the alternative routes through the mountains has been made, so far as we can ascertain. In advocating the appointment of a Federal Highway Commission or Royal Commission to enquire into and to make recommendations concerning this national enterprise, the Association urges the desirability of having one body to collect all available information, and the necessity of its supplementing this with additional essential material. Only in this way can a satisfactory decision be reached.

It is true that Provincial highways are wholly within the jurisdiction of the Provinces, but a Trans-Canada Highway should be regarded, not as a series of Provincial routes, but as a national one. The British North American Act allocates to the Federal Government exclusive jurisdiction, generally speaking, over matters of national concern which are of importance to Canada as a whole. Trans-continental railways, radio and aeronautics are clear examples of matters of this type. In the Aeronautics Reference Lord Sankey, delivering the reasons for judgment of the Privy Council which held that the Dominion Parliament had jurisdiction to enact the

Aeronautics Act, said that " aerial navigation is a class of subject which has attained such dimensions as to affect the body politic of the Dominion." The British North America Act provides clearly that Inter-Provincial undertakings such as transcontinental railways are within the exclusive jurisdiction of the Dominion, for there are excepted, by section 92 (10), from the jurisdiction of the Provinces, the following,--

- "(a) Lines of steam or other ships, railways, canals, telegraphs and other works and undertakings connecting the Province with any other or others of the Provinces or extending beyond the limits of the Province;
- (b) Lines of steamships between the province and any British or foreign country;
- (c) Such works as although wholly situate within the provinces are before or after their execution declared by the Parliament of Canada to be for the general advantage of Canada or for the advantage of two or more of the Provinces."

These exceptions have been held by the Judicial Committee of the Privy Council to have the effect of being read into the preferential place enjoyed by the Dominion Parliament under the enumerated subjects of section 91, that is to say, the matters within the exceptions are clearly within the jurisdiction of the Parliament of Canada. Those matters are subjects of such dimensions as to affect the body politic of Canada. Lord Atkinson said in, --

Montreal vs. Montreal Street Railway, (1912) A.C. 333,--

"The effect of subsection 10 of s. 92 of the British North America Act is, their Lordships think, to transfer the excepted works mentioned in sub-heads (a), (b) and (c) of it into sec. 91, and thus to place them under the exclusive jurisdiction and control of the Dominion Parliament. These

two sections must then be read and construed as if these transferred subjects were specially enumerated in s. 91, and local railway as distinct from federal railway were specifically enumerated in s. 92."

The Association submits that a Trans-Canada Highway is plainly a work or undertaking connecting a Province with other or others and extending beyond the limits of a Province, and, therefore, it is clear that the construction of such a highway is a matter which lies exclusively within the legislative jurisdiction of the Dominion Parliament.

The words of Chief Justice Duff, in the Reference re Waters and Water Powers in 1929, are apposite,--

"In legislating for railways extending beyond Provincial limits, it has been held that it is of the essence of the Dominion authority to define the course of the railway and to authorize the construction and working of the railway along that course..."

Surely a Trans-Canada Highway is a subject of such dimensions as to affect the Body Politic of Canada and Chief Justice Duff's statement is applicable to the location of the course of a Trans-Canada Highway.

Again, in section 91 (7) of the British/American Act, the Parliament of Canada was given exclusive legislative authority over Militia, Military and Naval Service and Defence. A Trans-Canada Highway is a project intimately connected with the defence of our nation.

It seems obvious that a Trans-Canada Highway can rank second only to Trans-continental Railways in importance to the people of Canada.

It is the plain duty of the Dominion Parliament to accept responsibility for all phases of the proposed Trans-Canada Highway and we submit that the first step to be taken by it in the discharge of this responsibility is to appoint a Federal

Highway Commission or a Royal Commission, and we are confident that the people of Canada will be content with the recommendations of such a body, whatever the conclusions to which it may come.

ADVANTAGES OF THE YELLOWHEAD ROUTE

The advantages of building the proposed Trans-Canada Highway through the mountains via the Yellowhead Pass are numerous and compelling, and the Association advances some of them now, not so much to recommend the selection of this route for the course of the project, as to emphasize the necessity of appointing Federal Highway Commission or a Royal Commission to consider the respective merits of this and other routes. However, we are convinced of the tremendous advantages of the route which we propose.

Briefly, the advantages of the Yellowhead route are as follows:

1. ELEVATION: The highest elevation is 3,717 feet as compared with 5,337 feet and 4,450 feet on the Kicking Horse and Crowsnest pass routes respectively. Elevations are shown on the attached graph -- Schedule A. History tells us that Captain Palliser and Professor Hind had pointed out in surveys conducted by them in Western Canada in the late 1850's that the northern or Yellowhead route through the mountains was the only one opening a country free from the danger of repeated drought. The newly formed Dominion Government was impressed by these recommendations, and in considering a course to be followed by the Canadian Pacific Railway, had decided to adhere to this route. In fact, this was one of the provisions of the Act of 1881 which incorporated the Canadian Pacific Railway and ratified its contract with the Dominion Government. Later, in that year, the Company requested, and the Dominion

agreed, that the route be changed in favour of that through the Kicking Horse Pass. The reasons for this change are not wholly clear but we believe it is sound to state that they were based upon questions of policy quite unrelated to the comparative cost, altitudes, difficulties of construction, maintenance and operation of the two routes then considered.

If I may stop there just for a moment, I came across, sirs, a map which was given to me and I have had prints of it made, published as a map of part of the Northwest Territories including the Province of Manitoba published by the Honourable D. Mills, Minister of the Interior, on the 31st of December, 1877, which shows the route of one of the early surveys of the Canadian Pacific Railway Company, which, I take it, is a survey that was made following the passing of the Act in 1874, Chapter 14 and the route of the survey is through the Yellowhead Pass. It is quite an interesting historical document, I believe. Edmonton and Calgary are marked on the map although Edmonton is marked as about fifteen miles south of where the present city of Edmonton is, but with a magnifying glass you can see Fort Edmonton on the map which is the site of the present city of Edmonton. In fact, the survey here is north of the city of Winnipeg

EXHIBIT NO. 83: Filed by Mr. Smith; survey map of part of Northwest Territories including Manitoba dated 31st December, 1877.

MR. SMITH(Con.):

2. SNOWFALL: The Yellowhead route has the least snowfall of any of the three routes, as shown by the graph, Schedule A. The only heavy snowfall on the Yellowhead Route is in the vicinity of Blue River, while the Kicking Horse Pass Route in the winter time is buried

in heavy snow all the way from Banff to Salmon Arm, a distance of 353 miles. The tremendous snowfalls encountered on Allison Pass in June of this year by crews engaged in the construction of the cut-off on the southern highway between Hope and Princeton, B.C., evidences the existence of heavy snowfalls on parts of the Crowsnest route during much of the year.

3. CONSTRUCTION COSTS: We have been unable to obtain verified engineering estimates as to construction costs, but we are entirely confident that construction costs will be much lower on the Yellowhead route than on the Kicking Horse route. One need only compare the methods of construction of the Canadian National Railways and the Canadian Pacific Railway on these routes to visualize the substantial savings which could be affected by following the Yellowhead. We emphasize the need for planning towards a four lane highway and assert baldly that one cannot be built over a substantial portion of Kicking Horse route.

7 May I interrupt my brief there for a moment, sirs. I would like here to tender, sirs, a statement that was prepared by a member of a caravan which this summer drove through from Edmonton to Vancouver. This particular member of the caravan drove back through the Big Bend Highway and he has prepared a map showing rock cuts, bridges, and culverts, and the extent of them where they are substantial on the Yellowhead route and the Kicking Horse Pass route. The maps are here with the particulars in detail but briefly, between the entrance to the mountains on the east and Kamloops on the west to which both highways come. The Yellowhead, for instance, has 21 rock cuts, and the Kicking Horse Pass route has 74 rock cuts; the Yellowhead route has 57 bridges and the Kicking Horse Pass has 81 bridges; the Yellowhead route has 30 culverts and the Kicking Horse Pass

166 culverts. I think this should be corrected to the extent that as the Yellowhead route is being drained, as the drainage is made there will be more culverts. Furthermore, the Yellowhead route has telephone communication along the entire route, while the "Kicking Horse Pass" has no telephone communication for two hundred miles. In cases of emergency the Yellowhead has an alternative transportation, the Canadian National Railways and the Kicking Horse Pass has no alternative transportation facilities for two hundred miles from the Big Bend in the route. I would like, sirs, to tender that exhibit with the attached maps.

EXHIBIT NO. 84: Statement by member of caravan driving between Edmonton and Vancouver.

MR. SMITH (CON.): May I also, sirs, just to emphasize the importance of the matter of cost in highway construction in the mountains, refer to a statement of Chief Engineer Harry Anderson of the Provincial Public Works Department of British Columbia as published in the Daily Province of Vancouver on July 8th, 1949. He is describing the construction of the Hope-Princeton portion of the Kicking Horse Road and he says in part: "an indication of the cost was given by the speaker when he reported a quarter mile section had cost \$150,000. There was also an unparalleled section of 1300 feet that cost approximately \$250,000, a rate of nearly \$1,000,000 per mile. Maintenance cost of the highway after it is opened will be high -- approximately \$2,000 a year, he revealed." And then he went on "barring extreme snow conditions like last winter the highway will be kept open." I would like to tender that statement also, if I may, sirs.

EXHIBIT NO. 85: Statement by Chief Engineer Harry Anderson, dated July 8, 1949.

4. MAINTENANCE COSTS: It is essential that the Trans-Canada Highway be kept open for traffic all the year round. The Yellowhead route because of its lower snowfall would see this objective achieved much more economically. In conjunction with actual snowfall, consideration must be given to conditions which might result in snowslides. We point to the fact that the Yellowhead route principally follows wide valleys and thus difficulties in preventing and clearing snowslides would be alleviated. Great doubt exists as to whether the road by way of Kicking Horse Pass, which even in the summer, is considered by many to be too hazardous, could be kept open for traffic in winter and for much of the year without staggering costs. We are also of the opinion that similar considerations would apply in relation to rock slides.
5. GREATER POPULATION: The greater percentage of the population of the three prairie provinces resides north of the half-way line between the Yellowhead route and the Kicking Horse route, as shown by the attached report of the Sanford Evans Statistical Service, attached as Schedule B. The following percentages reside north of the half-way line, -- Manitoba, 56.8; Saskatchewan, 57.3; Alberta, 57.9; British Columbia, 43.9. Consideration should be given to the trend of location of the population in Western Canada, and indeed, throughout all of Canada before a route for the Trans-Canada Highway is selected.
6. CENTRAL ROUTE: The Yellowhead route is in fact the central route -- Peace River is 344 miles to the north, Dawson Creek 478 miles, Fort St. John 526 miles and Yellowknife 661 air miles. Edmonton, through which

the route passes, is 348 miles north of the American boundary.

7. NATIONAL DEFENCE: The two largest Ports on the West Coast of the Canadian mainland will be served. Vancouver is naturally at the end of the highway, while the Yellowhead route will also connect with the road to Prince Rupert. Access to the rapidly developing harbour at Bella Coola, B.C. will be aided. The route joins with the Alaska highway at Edmonton and is also connected at that capital city with the new Mackenzie Highway to Great Slave Lake in the Northwest Territories. The advantages seem obvious.
8. NATIONAL AND PROVINCIAL PARKS: The Yellowhead route would serve by far the largest park areas west of the Great Lakes. Riding Mountain, Prince Albert, Elk Island and Jasper National Parks, Lake Manitou, Robson, Hamber, Wells Gray and Tweedsmuir Provincial Parks lie along or are close to the route. The necessity for planning for tourists will be of much importance in considering the location of the Trans-Canada Highway and it is apparent that the Yellowhead route, serving as it does this impressive list of tourist attractions has a strong claim from this point of view.
9. COMPARATIVE LENGTHS: Comparing the respective lengths of the various routes throughout Western Canada, we find that the Yellowhead route is only 1747 miles from Winnipeg to Vancouver, while the Kicking Horse route is 1695 miles, including the Big Bend section of 191 miles through rugged and uninhabited mountain territory in the course of which the Kicking Horse route swings sharply north almost to touch the Yellowhead route.
10. EVERGREEN ROUTE: The Yellowhead route from Winnipeg to the mountains lies through rolling park land with large agricultural areas and substantial tree growth.

The Kicking Horse route on the other hand runs through the Palliser triangle, flat uninteresting Prairie, almost void of trees and subject to drought, wind and dust.

11. NATURAL RESOURCES: We submit that the recent development of the petroleum industry in Alberta and the existence of other known and potential natural resources in the northern parts of the Prairie Provinces and the Northwest Territories are strong reasons why the Trans-Canada Highway should follow the Yellowhead route. A Federal Highway Commission or a Royal Commission would, we feel, be competent to determine the effect which such important matters may properly have on the selection of a route for a national highway.

The British Columbia section of the Yellowhead route has this year been opened for light traffic by the Government of that Province. Numerous motorists have travelled from various points in British Columbia to Edmonton and beyond by way of this highway this year, and have attested to its potentialities as a national route. They acclaim such features as its easy grades and its absence of sections located along the very edges of precipices. They observe that when completed it would be a much more inviting highway for many tourists who might not relish the extreme mountain roads of the other routes.

This year several organized groups of motorists have travelled over all, or parts, of the Yellowhead route without difficulty. On May 15th, 1949, Automobile Caravans from Jasper, Alberta and McBride, B.C., met on the Yellowhead highway.

More recently an Automobile Caravan journeyed from Edmonton to Vancouver via the Yellowhead route. The group left Edmonton on Monday, August 15th and was joined at Jasper by a similar body which had driven from Kamloops to meet it. The enlarged Caravan left Jasper on August

16th and reached Vancouver on Friday, August 19th.

The caravan was made up of some fifty vehicles. Overnight stops were made at Blue River, Kamloops and Chilliwack. Members of the group were impressed with the resources lying along the route and the possibility of their development.

No serious difficulties were encountered despite the fact that the automobiles were not specially chosen for the venture, and were in fact representative of all types in ordinary use. When one considers that little or no work has been done on much of the road, the comparative ease with which Caravans and travellers alike have made the journey is strong evidence of the feasibility of routing the course of the Trans-Canada Highway via the Yellowhead, and its natural attributes as a route through the mountains.

CONCLUSION

The Trans-Canada Highway is not a highway solely or even principally for tourist purposes. It is certainly not a local or Provincial highway. It is not to be built for country or city residents. It will not/solely for the betterment of trade and commerce. It will be a highway designed to serve all interests within the nation, and the tourist industry as well.

This is not intended to be by any means an exhaustive brief of the merits of the Yellowhead route. We believe that its merits are so over-whelming that they are unanswerable, but at this stage we only ask for a complete investigation and consideration of the relative merits of the mountain routes.

We contend that the route of the Trans-Canada Highway, to the cost of which the Dominion Government may contribute fifty per cent and probably more, is a matter of such great importance to the Dominion of Canada, from the point of view of National Defence, Inter-Provincial transportation of

goods and people, costs of construction, maintenance and operation, tourist traffic, centres of greater population and trade and commerce, that the selection of its route must be considered as a question of general importance to the people of Canada as a whole and that the decision upon the question of the route should not be left (so far as Saskatchewan, Alberta and British Columbia are concerned) to the Provinces through which the highway will pass. Each province is bound to be guided by Provincial considerations rather than National. To leave the decision as to the route to the judgment of the Provinces would be to allow a matter of National importance to be decided upon a Provincial level and, in the case of Alberta -- sandwiched between the other two -- it is obvious she may be deprived entirely in the choice of a selection of the route, for her portion of the highway must connect with the Saskatchewan and British Columbia portions.

But we do say that no Dominion Government should refuse to take a substantial part in considering the route of a highway of such importance to the whole country as the Trans-Canada Highway, and that the selection of the route is a matter squarely within the jurisdiction and definitely the responsibility of the Dominion Government, which must contribute many millions of dollars towards its cost. We take the position that the primary responsibility rests upon the Federal Government, which must be the biggest contributor and that the Federal Government should not and cannot avoid this responsibility.

Now, sirs, may I briefly, at the conclusion of the reading of my brief, refer to the fact that we consider that we are strongly supported in our contentions by the experts in highway practice in the United States of America and also by the conclusions of the Rowell-Sirois Commission and I would, if

I may, like to refer quite briefly to about two pages in the "Highway Practice in the United States of America" in support of our contentions in these matters. At page 49 of the "Highway Practice in the United States of America" in the right hand column under the headings "Systems and Standards -- State Highway Planning Surveys" and at the right hand side "Appraisal Needed" appears the statement:

"There was recognition of the need for a careful appraisal of the new situation, looking to a revision of policies, and it was for the purposes of developing the facts necessary for such a study that the so-called highway planning surveys were undertaken, beginning in 1935.

Opportunity to undertake these surveys was afforded by a section of the Federal act of June 18th, 1934, known as the Hayden-Cartwright Act. This section authorized expenditure of not to exceed 1½ per cent of the amount of Federal-aid funds apportioned for any year to any State for the making of surveys, plans, and engineering investigations of projects for future construction.

By 1940 all State highway departments cooperating with the Public Roads Administration, were engaged in the conduct of highway planning surveys which at the time of their undertaking, were described as follows:

'They consist of a number of related studies that seek to determine the present state of the whole rural highway system; to rate the service rendered by the numerous parts; to prepare the way for a selection of that part of the whole system which, by reason of its relative importance and absolute utility, so far as we may now see, merits inclusion in future improvement plans; to assemble the facts

necessary for an estimate of the ultimate cost of owning and maintaining the economically necessary improved system; all to the end that a definite economically and socially defensible, integrated highway-improvement programme may be established and the future of highway transportation may be protected from the hazards inherent in short-sighted and shifting public policy.'"

Then, sir, may I turn to page 61 under the heading "Rational Planning". They have been talking here about local roads, I believe, but the statement, I suggest, is a very material one -- "In this latter designation the first tentative use was made of the factual information obtained by the planning surveys. All earlier system designations had been based upon information far less exact. In some part they had been undertaken by, or at the behest of State legislatures, upon considerations that were political rather than factual. In the light of the knowledge gained through the planning surveys, defects of judgment in these earlier selections were clearly apparent, and it was the purpose to avoid such defects in the selection of the system of Federal-aid secondary and feeder roads. An excellent beginning was made; but the funds available were discouragingly inadequate and, in the absence of clear legal sanction of its use, the attempted rational selective process was somewhat abortive.

Toll Roads and Free Roads

The first opportunity created by law to employ the more rational process occurred when, in 1938, the Federal Congress called upon the Chief of the Bureau of Public Roads to investigate the feasibility of a national system of transcontinental toll roads and make

a report of his findings. The investigation made effective use of the planning survey information then in hand to discourage the contemplated toll-road system, and the report rendered under the title, 'Toll Roads and Free Roads', presented as a more desirable alternative the designation of a system of interregional highways to be developed with Federal aid as toll-free arteries of long-distance travel. Such a system was tentatively defined by the report, which proceeded further to recommend that a final determination of the location of such highways should be made after further study in which the Bureau of Public Roads would cooperate with the War Department and the State highway departments."

(Page 6675 follows)

Interregional Highways

"To test the validity of the latter suggestion President Roosevelt, in 1941, appointed a committee, known as the National Interregional Highway Committee, under the chairmanship of Public Roads Commissioner Thos. H. MacDonald. The report of this committee, submitted to the President in 1944 and immediately transmitted by him to the Congress under the title, Interregional Highways, approved the previous proposal of an interregional system and recommended as a basis for further consideration a system of approximately 34,000 miles. In his endorsement of the report, the President requested early action by the Congress to authorize the formal designation of such a system by joint action of the Federal Government and the several State highway departments. This request was promptly answered by inclusion, in the Federal-aid Highway Act of 1944, of a provision directing the designation of a National System of Interstate Highways, not exceeding 40,000 miles in total extent, by joint action of the State highway departments of each State and the adjoining States, as provided by the Federal Highway Act of November 9, 1921, for the selection of the Federal-aid system. By the reference to precedent law, the designation to be made initially by the co-operating State highway departments was subjected to approval by the Federal Works Administrator acting through the agency of the Public Roads Administration."

Now, sirs, may I turn briefly to volume 2 of the Report of the Royal Commission on Dominion-Provincial Relations, at pages 218-219, where we find what I suggest is a very valuable statement upon the location and

construction of highways within Canada. I am reading, sirs, from volume 2 at page 218, the right-hand column:

"New investment in highways is, however, much more difficult to control. As we have pointed out earlier, the pressure for new or improved highways is likely to be continuous, and provincial governments are likely to be compelled by public opinion to improve and increase highway facilities. One obvious limit is, of course, the funds available, but our financial proposals elsewhere will, if carried out, enable some provinces to expand their highways more easily than they can at present. The practical problem is whether or not the Dominion should attempt to influence the road construction of the provinces either by 'buying control' through conditional subsidies as the United States has done or by attaching conditions if it has occasion to encourage highway construction as part of a program designed to stimulate employment. A healthier and in the long run more potent means of influence seems to the Commission to lie in encouraging the use of systematic research and far-sighted planning which would aim at co-ordinating all forms of transportation service in a comprehensive national system.

Planning and Research. This conclusion points to the necessity of continuous and comprehensive planning of the whole field of transportation. United States experience, as has been indicated, strongly supports the case for planning and research. Of course, planning of transportation is not a new venture in Canada. Indeed, all federal or

provincial aid to railways, and all provincial highway construction are ventures in planning. But in the past, planning of transportation has been piecemeal in character and has been concerned with only one or a few aspects of the problem. What is needed to-day is planning taking account of all forms of transportation, continuous, not intermittent, and concerned with the co-ordination of existing services (especially of rail and road traffic) as well as with the expansion of these services.

"The Dominion, as the government with the biggest investment in transportation and the government alone able to consider the whole field as a single problem, should take the lead in establishing a planning organization, while the provinces should co-operate by availing themselves of its services. It is recommended that a planning board either responsible to the Minister of Transport or independent of the Government should be set up. It should be composed mainly of experts, including both engineers and economists. If the provinces, as well as the Dominion, made use of its services it might develop into a body which would co-ordinate on a voluntary basis the future highway, railway, waterway and air programs in Canada, as well as lending technical assistance and making investigations when requested to do so. If Plan I were adopted, this Board might be called on for a report by the Finance Commission on the merits of transportation projects to be financed by borrowing through the agency of that Commission. It is also suggested that efforts should be made to enlist the co-operation of the

provinces in planning transportation and co-ordinating existing services, especially road and rail traffic, and that this might be done by establishing joint planning boards on which the national planning body and provincial highway departments or highway carrier control boards might be represented."

MR. COVERT: Q. Excuse me; I do not want to restrict you at all in reading from that, but it seems to me that you are now getting away from the particular point here, and it seems to me that it might be done otherwise, unless there is something specifically dealing with setting up a commission. It seems to me that you have made the point, that the Royal Commission has said that there should be planning. I do not want to take up the time of the Commission unless there is something specifically on your point.

THE CHAIRMAN: Q. Is not the position this, Mr. Smith, that the Government of Canada, on which you put the responsibility of looking after this project, had before it the Report of the Sirois Commission, it had before it also the later report of the Committee of the House of Commons on Reconstruction, according to which the Department of Reconstruction and Supply was created, with the Minister, and, equipped that way, the Government acting through that Department decided to build this highway in conjunction with the different provinces, just as you say the Sirois Commission recommended, and as, by what you have just read here, was done in the United States, with the joint action of the Federal Government and the several state highway departments? Now, it is altogether a matter of time that I have in mind, you see.

A. Yes.

Q. Your brief undoubtedly is based on premises that appear to be no longer there. We are told now that the Dominion Government not only has announced a policy but that its policy is under way, and that policy was to confer with the provinces -- we suppose they all have their proper engineers, economists and other qualified people -- as to the selection of the route through each province, co-ordination of course being an essential matter in the construction of a national highway; and we are told that not only has the conferring taken place but that has been completed, and that, for instance, the Province of Alberta through its Premier has announced where the route is to run through Alberta. You must know --

A. Yes, I know that, sir; he has made ---

Q. I am just wondering, you see, whether your representations might not have been made much more effectively earlier to the Dominion Government.

A. Yes; we have made those representations.

Q. This Commission, of course, has a great many other problems to decide other than this one.

A. I quite realize that, sir.

Q. It will be quite some time yet before we are in a position to bring out a report and make specific recommendations, and I do not know what stage this highway project will have reached by then.

A. Well, I doubt myself, sir, with every respect, whether it will have advanced very far, because it has been under discussion for very many years, and I have a clipping of a statement made by Premier Douglas of Saskatchewan a very short time ago in which he intimated very plainly -- I have it here and can read it if you like -- that the cost of the project across the Province of Saskatchewan, according to the suggested specifications,

was seventeen million dollars, which was much in excess of the financial capacity of the Province of Saskatchewan, and the general intimation has been that the provinces were to be asked to contribute probably fifty per cent. So there are very many problems to be ironed out yet. And, with respect to the Province of Alberta, if I understand correctly the statements made by Premier Manning of Alberta, they were pretty much to the effect that the Province of Alberta intended to build three first-class highways across the Province of Alberta, and hence, if Saskatchewan was selecting the southern route and British Columbia was selecting the Kicking Horse route, that they would join with the southern route through Saskatchewan and the Kicking Horse in order to connect with those two highways. It does not appear to me, sirs, with every respect, that the Province of Alberta has done other than to follow the selections, the tentative suggestions, made by Saskatchewan and British Columbia; but what we do respectfully urge here, and what we feel, is that if the Dominion of Canada has to undertake an expenditure of hundreds of millions of dollars, perhaps five hundred millions, it is a matter of such tremendous importance from every point of view that the decision as to the route should not be left to the provinces but ought to be determined in an impartial manner, in other words should be planned in accordance with the use of that word as in the portion I have just read from the Rowell-Sirois Report, so that it may be most advantageously expended for the benefit of this country and not done on a piecemeal planning basis, which, with every respect, at the moment I suggest is being done if it is proceeded with on the basis that the Dominion Government is the contributor toward probably half the cost of this very

costly highway from coast to coast. That is, the biggest contributor -- the one we say with the major portion of the responsibility, because it is a national project and not a series of provincial projects -- that body, the Dominion Government, under the tentative plans that have been announced, take no part whatever, apparently, in the selection of the route but leave it entirely to the provinces, which we say must have the tendency to cause this very important problem of dominion policy to be decided by provinces. I do not know that there is very much more that I can say about that; we ask for ---

Q. The point is this, Mr. Smith -- we are not shutting you off -- we may or may not be able to do something along the lines that you request -- I am not saying yes or no just now -- but, in view of the necessity of the time factor being observed, I am wondering whether you have made any of these representations to the Dominion Government.

A. Yes, we have, sir.

Q. For instance, to the Department of Reconstruction?

A. Yes, sir, we have; we met a committee of the cabinet last spring.

Q. I see; and you put these same considerations before them then, did you?

A. Yes, we did, sir.

Q. Well, apparently the fact that you are here today means that they did not accede to your views?

A. We have no intimation that they have acceded to our recommendations, but we felt, sir, upon reading the terms of the Royal Commission that it was sufficiently broad, the terms were sufficiently broad, to include the matter of a Trans-Canada Highway in relation to the ---

Q. I am not saying anything to the contrary on

that, but it is a question, I repeat, of time, you see. Now, our information is that this policy not only has been announced, but it is under way.

A. Except that there has been no legislation passed and there has been, I understand, no agreement, actually no formal agreement reached with any one of the provinces. That is my information, sir.

Q. Now, has your body made representations to the provincial governments?

A. Yes, it has -- the Provincial Government of Alberta.

Q. Alberta?

A. Alberta only.

Q. So then you have been pretty well heard; this is not new?

A. No, sir.

Q. You have been heard?

A. This association has been, I think, one of the most active groups of people in Canada in advocating the construction of a Trans-Canada Highway, and I think it was largely as a result of the campaign this association was carrying on for several years that a conference was called in 1948 between the Dominion and the provinces which resulted in some tentative plans being made, which, however, have not yet been implemented either by formal agreement or by legislation. So, feeling strongly about these matters, as we have indicated, sir, we felt that it was appropriate and wise that we should lay these facts before this Royal Commission.

Q. Quite; but, you see, what you are asking us to do is to recommend to the Government that the Government appoint another Royal Commission or another body?

A. Well, I say, or a committee ---

Q. To go into the whole project again?

A. Yes, but, with every respect, sir, what we say is that the merits of the various routes from the points of view of their importance to the varying sides of the economic life and the welfare of Canada have never been properly weighed and considered by anybody, by any body of experts, that these problems are being decided or are apt to be decided upon a provincial level, without proper consideration or perhaps any consideration of the many very important aspects of the country as a whole. I do not know that I can add very much to that; that is our point of view; and so long, sir, as no legislation is passed and no formal agreement reached, sir, with every respect, we intend to keep on advocating complete investigation of the problem from the point of view of the public welfare of the people of Canada. We are not advocating any routes, sir; we have only discussed the relative merits in order to support our argument that there ought to be complete investigation before any route is selected. We feel that we are endeavouring to contribute to the welfare of the country, sir; that is what we are endeavouring to do.

Q. I have no doubt about that at all. Then you understand our position, don't you, Mr. Smith?

A. I do, sir, but I do also suggest ---

Q. There are so many problems for us, and time, I think, is essential.

A. The Trans-Canada Highway has been under discussion, so far as I can remember, for twenty-five years, and I hope, sir, that there will be ample time for this Commission to give it consideration, and I urge as strongly as I am capable of urging, sir, that consideration be given it by this Commission, because I do sincerely

urge that it is a matter of tremendous importance to this country, sir.

THE CHAIRMAN: Very well, Mr. Smith.

MR. COVERT: I have no questions, Mr. Chairman.

THE WITNESS: Thank you, sirs.

MR. HUME: Excuse me, Mr. Chairman. My name is F. R. Hume, and I am representing the Canadian Automotive Transportation Association. I did not rise before, because Mr. Covert in explaining the order pointed out that provincial counsel would examine first, following which railway counsel would examine; he did not mention the miscellaneous counsel, of whom I appear to be the only one.

THE CHAIRMAN: And do you wish to question Mr. Smith?

MR. HUME: I do.

THE CHAIRMAN: All right, proceed.

CROSS-EXAMINATION BY MR. HUME

MR. HUME: Q. Mr. Smith, I take it from your brief that your concern mostly is about the route of the Trans-Canada Highway?

A. No, I don't know that it is entirely a matter of the route. I think perhaps we use the matter of the route to illustrate our argument that there ought to be proper consideration of all aspects of a Trans-Canada Highway before this tremendous expenditure is undertaken. The route, of course, is one of the most important matters, most certainly, and the importance of it I suggest is illustrated by the practice which has been followed for many years in the United States, by which the ultimate decision is left with the Public Roads Administration, that is, the Federal Government authority.

Q. Your Association, however, suggests that this

project be declared a work to the general benefit of Canada and be under the Federal Government's control.

A. I do not mind whether it is declared a work for the general benefit of Canada or not, although I am not speaking as a lawyer at the moment, because I am a witness here, and an advocate; but I do suggest that, it being a work or undertaking connecting the province with another or others of the provinces, it is automatically within the jurisdiction of the Parliament of Canada under Section 92(10)(a) of the British North America Act.

Q. You will agree with me, perhaps, that neither you nor I can settle that constitutional law point, nor can the Commission settle that?

A. No, but I suppose the Commission can have a view about it.

Q. Will you agree with me also, Mr. Smith, as to what you suggest in your brief -- I am speaking now of your brief -- that for the first time I have been able to discover you are suggesting that a highway which is under provincial jurisdiction in Section 92 be a work to the general benefit of Canada and therefore under Federal jurisdiction?

A. No, I do not think it is an original suggestion. It was considered by Mr. Henry in his study, which I have here, for the Rowell-Sirois Report. All these constitutional questions were considered and discussed by him, so it is not original with me at all. There are many pages of discussion by Mr. Henry on the subject.

Q. Has there been any highway in Canada declared to be a work connecting provinces that you know of?

A. I don't know that it is necessary; I have not conceded that it is necessary that any such declaration should be made. A Trans-Canada Highway, I suggest, is

exactly like a Trans-Canada Railway; it is a matter which automatically falls within the jurisdiction of the Dominion government, and if the Dominion Government contributes very substantially towards it and it is the major contributor, then I suggest it is obvious that it must be within its jurisdiction; if it is not, then I suppose it would not contribute.

Q. But will you agree with me that, as I say, we cannot settle the point?

A. Surely.

Q. Will you agree with me that when you come to a Trans-Canada Railway, that was specifically enumerated in the B.N.A. Act as being a matter of federal jurisdiction?

A. Well, it is in the same section I am talking about, 92 (10)(a):

"Lines of steam or other ships, railways, canals, telegraphs, and other works and undertakings connecting the province with any other or others of the provinces, or extending beyond the limits of the province."

You see, there are some railways within provinces that do not come within the jurisdiction of the Dominion.

THE CHAIRMAN: Mr. Hume, may I ask, what is the point you are making?

MR. HUME: I am representing, as I said, the Canadian Automotive Transportation Association, and that is a federation of six provincial associations the members of which are the for hire truckers of Canada, and the association that I represent is considerably concerned right across Canada with a brief in which there is a suggestion that a Trans-Canada Highway be under federal control, and I am merely trying to direct my questions to the witness to indicate that to date there has been no

highway so declared, and to indicate to the Commission that the matter is one of constitutional law and cannot be settled here.

THE WITNESS: Strong recommendations to that effect were made, I suggest, in support of my contention by the Rowell-Sirois Commission.

MR. HUME: Q. Mr. Smith, you raise in your brief the question of the importance of this Trans-Canada Highway in national defence; do you agree that the road should be constructed and the bridges in that road should be of such size and dimension as would carry military equipment in case of need?

A. Well, Mr. --- I am sorry, I missed your name.

Q. Hume, H-u-m-e.

A. I am sorry: Mr. Hume, I am really here principally as an advocate, more as an advocate; I am a practising barrister, and I am not a highway engineer and do not profess to be an engineer of any kind, and I have presented the combined views of the Association for which I am acting as counsel here.

Q. I appreciate that.

A. I am really not an engineer, and I am afraid when you get down to details of that kind, I think, with every respect, it would be better to ask someone much better qualified than I am on the subject, because I do not consider my view would be of any value.

THE CHAIRMAN: Mr. Hume, would it not perhaps be more useful to us if you would simply state your position now, so that we will know what you have to say to the application of the Association for which Mr. Smith is speaking? What is your position?

MR. HUME: Our position in the matter of this particular brief, Mr. Chairman, is that first of all we

are opposed to any suggestion that such a highway be under federal control. We say that that is a matter within the jurisdiction of the provinces, and that the regulation of traffic moving on such a highway should be under provincial control.

Secondly, on the question which I was just directing to Mr. Smith, he raises the point -- and I hoped that it might be developed slightly -- that highways of this kind have an important aspect in national defence, and I was merely asking whether he thought that such a highway should be constructed so that in the future it could carry military equipment and vehicles such as tanks, tank carriers, and so on. It has an important bearing on the size of bridges, of which this Commission has heard a great deal on the regional hearings, as I have read the evidence, with regard to the question of cost of these highways and who should maintain them.

THE CHAIRMAN: Does the Association believe that the highways should not be built of such strength as that?

MR. HUME: Not at all, sir; not at all.

THE CHAIRMAN: What is your attitude?

MR. HUME: Our attitude is that they should be, but we have for the first time, I think, before this Commission a witness raising the question as to the importance of highway transport in national defence, and I was merely seeking to develop that for the Commission's information.

THE CHAIRMAN: Mr. Smith tells us, though, that he is not an engineer; he is not that kind of witness; he is not an expert witness.

MR. HUME: I appreciate that.

THE WITNESS: I will endeavour to answer the

question, sir, to the best of my ability.

MR. HUME: Q. Perhaps you misunderstood me.

My question is merely this: as a resident of western Canada, is your Association in favour of a type of construction that will be strong enough to support heavy military motorized equipment?

(Page 6691 follows)

A. I cannot answer for the Association because I have no instructions but I will give you my own personal view if you would like to have it.

MR. HUME: Yes, that would be helpful.

MR. SMITH: My personal view is that construction should be of that type because in the City of Edmonton there are highways leading to the Pacific coast. One of them is Calgary, another Jasper and one leading to Alaska Highway which is a military road built for use during the last war, and one of tremendous importance. There is a further one leading to Great Slave Lake on the MacKenzie some six hundred or seven hundred miles and is the center of very extensive highway system. The Alaska Highway commences at Dawson Creek between Alaska and British Columbia. The Northern Alaska Highway is joined by the Canadian Pacific Railway and Canadian National Railway. There was tremendous traffic over that railway during the war from the commencement of the highway. My information is that the first thing the Northern Alaska Railway had to do was to proceed to strengthen and rebuild bridges in order to carry the traffic which I say was tremendous.

MR. SINCLAIR: Is it your view that the users of this highway should pay for the cost of the construction and operation of the highway?

A. My view is generally speaking, that users of a highway should fairly contribute to the construction according to the standard amount of use they get over the ground, that is the highway. I think it is only fair that they should.

Q. Does that mean if the highway was to be used for transportation purposes of heavy trucks and buses, whether private or for hire, they should bear a fair share of the cost of construction?

A. I would agree to that although I would not advocate a toll road. I am not suggesting that.

Q. Registration fees should be at such a level, is that correct?

A. It seems to me a reasonable suggestion.

Q. Your Association is strongly of the view that if amounts out of general revenues contribute substantially to the cost of this road that they should exercise control of how it was going to be used?

A. Main control, not necessarily absolute. As the largest contributors they should have the largest share of control.

Q. You are asking this Commission to so recommend?

A. I am.

COMMISSIONER INNIS: Does your Association arrange for co-operation between the Provinces as to the building of roads? Have you any views on the intra-provincial plans?

MR. HUME: I would prefer to answer your question, Dr. Innis, at a later time, perhaps this afternoon when I get some more information. I would rather delay it if I may and answer more accurately after recess.

MR. CHAIRMAN: Are there any more questions?

MR. COVERT: No, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Smith.

MR. COVERT: You will recall Mr. Chairman, on July 27th when we adjourned at Charlottetown the Province of Prince Edward Island was completing their submission. I think Mr. Graham Rogers was giving evidence and was being examined by Railway Counsel.

THE CHAIRMAN: We now resume the case of the Province of Prince Edward Island?

MR. CAMPBELL: Just before calling the witness there are two or three exhibits which I would like to

have filed at this time, arising out of some questions that were put at the regional hearings.

In volume 25 of the record, pag 4687 (58) there is a statement in the second last paragraph:-

"We as a railroad" wrote the Vice-President of the Canadian National Railway to an Island Premier, "cannot overlook the fact that in reality every automobile we handle is in competition with our own railway route (quoted in The Guardian newspaper, Charlottetown, January 19, 1945)."

MR. O'DONNELL: What page?

MR. CAMPBELL: Page 58.

THE CHAIRMAN: Where about on the page?

MR. CAMPBELL: Page 58 of the Prince Edward Island brief. It is page 4687 (58) in volume 25. A copy of the letter has turned up from which that quotation merely quotes a newspaper and a vice-president. The letter is signed by A. Fraser, Acting Vice-President of the Canadian Na

National Railway. The letter is addressed to Honourable W. J. P. MacMillan . The letter is dated at Montreal, April 11th, 1934. I only have a copy of the letter.

MR. O'DONNELL: What is the date of the letter?

MR. CAMPBELL: April 11th 1934.

MR. COVERT: This will be Exhibit 86.

EXHIBIT 86 - Letter dated April 11th 1934 from A. Fraser, Acting Vice-President, Canadian National Railway to Hon. W.J.P.MacMillan,M.D. Premier of the Province of Prince Edward Island, Charlottetown, P.E.I.

MR. CAMPBELL:It is a very short letter and I would prefer if I could read it into the record.

MR. CHAIRMAN: This is the same letter?

MR. CAMPBELL: The same letter.

MR. CHAIRMAN: All right.

Montreal, Quebec,
April 11, 1934.

"Honourable W.J.P. MacMillan, M.D.,
Premier of the Province of
Prince Edward Island,
Charlottetown, P. E. I.

Dear Mr. Premier:

Referring to your letter of April 7th, regarding the rates for the transfer of automobiles on the car ferry between Tormentine and Borden.

This whole question has had most careful consideration, not only as a traffic problem, but also as a matter of executive policy, and I regret to advise that the decision was reached that there should be no change in the present rates, which, as you know, are \$4.00 one way and \$7.00 return.

Last year, as you know, we published one way rate of \$3.00 and return fare of \$5.00 for the summer season, as an experiment, and the results were anything but satisfactory. Our revenue, quite naturally, was reduced, but in addition, we actually handled fewer automobiles on the car ferry during the period the reduced fares were in effect in 1933, than we did at the higher rates during the corresponding period of 1932."

MR. CAMPBELL: I might say there, that the Acting Vice-President has overlooked the increasing depression in 1932 and 1933.

"While it is quite true that the loss from operation of the car ferry is assumed by the Federal Government, the Canadian National Railways, as operators of the property, construe it to be their responsibility to see that each class of traffic carried shall contribute, so far as may be practicable, its fair share of the revenue in relation to its proportion to the operating expenses.

"On this basis, and having regard to all the circumstances, we feel quite sure that the present rates are fair and reasonable.

We, as a railroad, cannot afford to overlook the fact that in reality every automobile we handle on the ferry is in competition with our own rail route. Having regard to this fact, the only justification for reducing the rates for the automobile would be for the purpose of developing sufficient additional automobile movement to improve the net results to the car ferry, and to increase the tourist travel to the Island to such an extent as to compensate the railway indirectly through the stimulation of general business. Our experiment last summer very clearly indicated that the reduced rates would not accomplish such results.

While I am very sorry that we cannot see our way clear to comply with the wishes of the people of Prince Edward Island on this point, I would like to take this opportunity of assuring you that the matter has had the most careful and sympathetic consideration by all interested officers of this company.

With kind regards,

Yours sincerely,
(Signed) A. Fraser,
Acting Vice-President."

MR. O'DONNELL: That was 1934?

MR. CAMPBELL: April 11th, 1934.

MR. O'DONNELL: There has been a lot of changes since that, have there not?

MR. CAMPBELL: Yes. They have reduced the rates since then. What they said they could not do then they have in fact done. But there are no changes, as my learned friend will admit since October 14th 1949.

I propose to tender a letter from Mr.R.C.Vaughan, Chairman and President, Canadian National Railways.

MR. CHAIRMAN: That will be Exhibit 87?

MR. DESMARAIS: That will be Exhibit 87.

EXHIBIT NO. 87: Letter from R.C.Vaughan to B.Graham Rogers, Oct. 14, 1949.

THE CHAIRMAN: Letter from whom?

MR. CAMPBELL: Letter from R.C.Vaughan to Mr. B. Graham Rogers, who is the next witness. The letter is dated October 14th, 1949. I will read the letter.

"

Montreal, October 14th, 1949

Dear Mr. Rogers:

"Referring to your letter of September 12th, which in my absence on a business trip to Western Canada, was acknowledged by the Vice-President and Executive Assistant:

"After carefully reviewing with the Executive Vice-President and the Vice-President of Traffic the representations put forward in your communications, we have reluctantly come to the conclusion that the Canadian National Railways cannot consistently agree to accept either of the proposals.

"The first proposal was directed towards the possibility of giving buses a place of precedence in moving back and forth across the Strait of Northumberland. As you are well aware, automobile tourist traffic, especially in the summer months, is extremely heavy between the mainland and Prince Edward Island. During such periods of heavy traffic it sometimes happens that the ship is unable to accommodate all of the awaiting vehicles."

MR. CAMPBELL: Mr. O'Donnell said there was some change but there were no changes since this letter was written. This is last month -- two weeks ago.

"Under such circumstances it would be disturbing and objectionable to these tourists if buses were to be given a place of preferment to the displacement of a number of private automobiles. Under these circumstances we have decided to abide by the practice of first come - first served."

MR. O'DONNELL: We cannot accommodate them all; if we do we will have to leave more private automobiles on the shore.

MR. CHAIRMAN: That is, first come - first served, as between buses and cars?

MR. O'DONNELL: And everybody else.

"The other suggestion is that we should extend full interchangeability to ticket holders travelling beyond Moncton or Sackville, thus to give them the option of travelling either by train or by bus. This could only result in depriving the Railway of passenger traffic for the benefit of a competitor, and if there developed serious inroads into our passenger patronage in the territory it might easily find some reflection in a diminution of service.

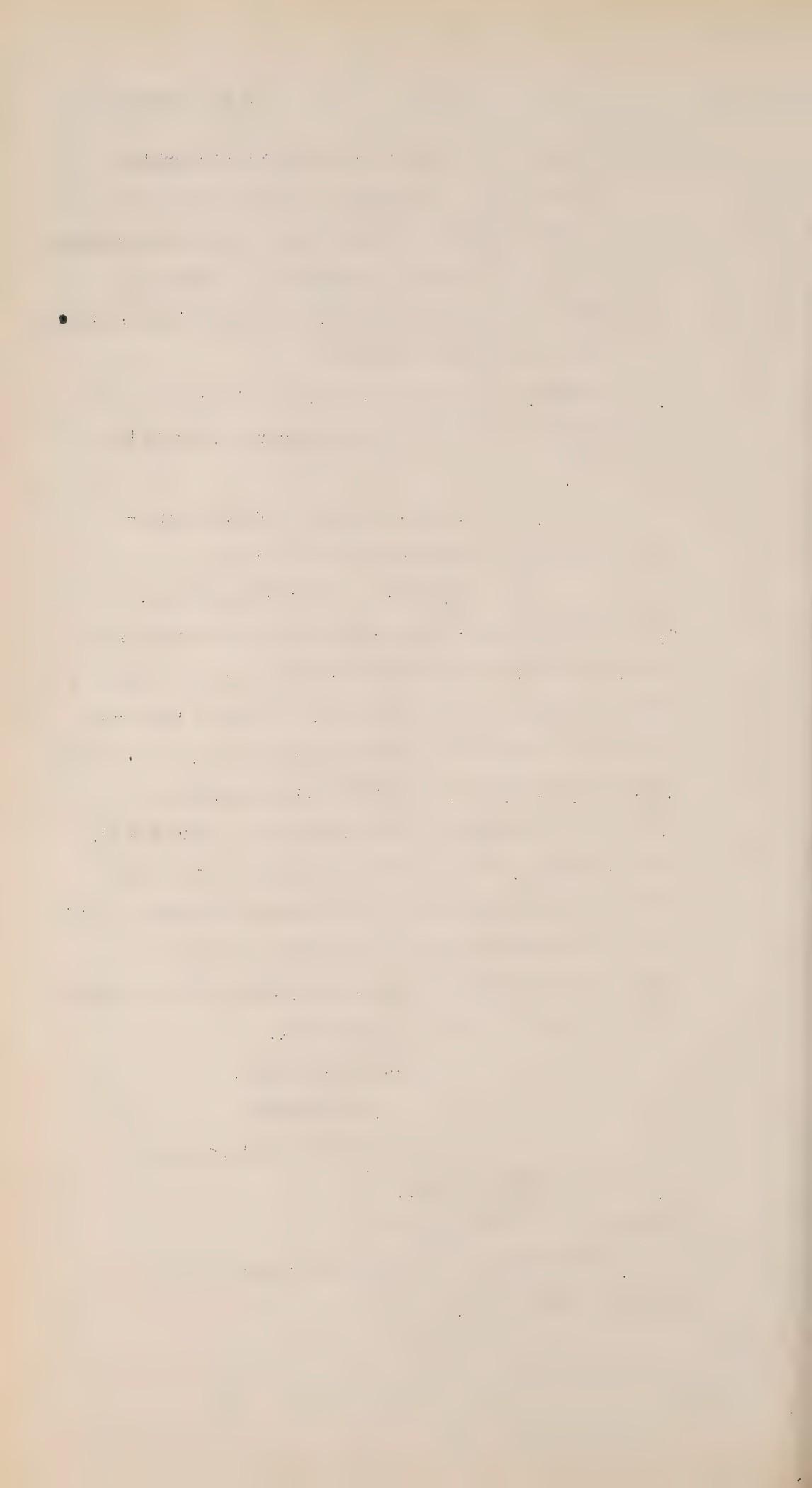
Here again, therefore, we have come to the conclusion that we cannot accept the proposal.

Yours very truly,

R. C. Vaughan,

Chairman and President

B. Graham Rogers, Esq.,
Director of Transportation,
Dept. of Industry and Natural Resources,
Charlottetown, P.E.I. "



MR. CHAIRMAN: Do you not think that this position is not satisfactory as between buses and cars - - - first come, first served?

MR. CAMPBELL: I prefer to have Mr. Rogers deal with that. He knows all about it. Mr. O'Donnell said there were a lot of changes since 1934 when the railway said:

"We, as a railroad, cannot afford to overlook the fact that in reality every automobile we handle on the ferry is in competition with our own rail route."

Let us see what they said two weeks ago:

"This could only result in depriving the Railway of passenger traffic for the benefit of a competitor, and if there developed serious inroads into our passenger patronage in the territory it might easily find some reflection in a diminution of service. Here again, therefore, we have come to the conclusion that we cannot accept the proposal."

Which my learned friend says is immaterial. This is a service they are providing under a contract with Canada under the terms of Confederation and now they say we cannot accept the proposal.

As to the number of cars some questions were asked at the regional hearing as to whether cars were held up and some suggestion was made by my friend Mr. Covert that in a serious matter such as this we might have day and date and number of cars, and might have had somebody posted on the pier. To which we replied in the regional hearings, that it was a matter of common knowledge. But it always seems to happen that just before this Royal Commission sits something happens. On my way up here I came by automobile to attend these sittings.

The first night I was at Shédiac Inn. My wife and I were sitting at the fire in the hotel. Brigadier Talbot, who had spent some years in India, was there. I never met him before; he and his mother were sitting there and some other chap whom I did not know. As soon as they heard we were from Prince Edward Island one of them spoke up and said - -

MR. O'DONNELL: It comes to a point where my learned friend should know that this is scarcely evidence. He should know that what one picks up sitting around in a hotel is scarcely evidence.

MR. CAMPBELL: I do not wish to get my learned friend on the raw.

MR. O'DONNELL: It is not a question of getting anyone on the raw. It is question of saving time.

MR. CAMPBELL: The Commission asked us did we have the figures to give as to these serious holdups. We find that my learned friend own President said two weeks ago that they were unable to accommodate all of the awaiting vehicles.

MR. O'DONNELL: The same as the Queen Mary.

MR. CAMPBELL: The next exhibit volume 26, Jerome O'Brien, page 4868, Mr. O'Brien appeared to be a truthful witness and at page 4868 he referred to slow L.C.L. shipments on Prince Edward Island. He was examined by Mr. Covert (two-thirds of the way down the page) -

"Now, you referred to slow l.c.l. shipments. Is that on goods coming into the island?

A. It is on goods coming in and on goods going out, both ways. We have shipments coming from Amherst taking seven, eight or ten days."

Then there was a discussion as to the nature of the goods. Mr. O'Brien says -

"I had an experience last spring with two cars of grass seeds I took into Charlottetown, shipped from various parts of Prince Edward Island, and some of them - well, I am not sure but one of the men that I shipped to said it took two weeks. I am quoting him. I am not taking anything from the waybills. It was very slow. This year we used trucks."

Now in the middle of page 4869 he says:-

"A. I think that is an exception, but I am bringing the point out that when we took in our car of seeds we could not take a chance to give them to the railroad to deliver. We had to deliver them by truck."

Now at page 4891 Mr. O'Donnell for his satisfaction was testing Mr. O'Brien's memory.

MR. O'DONNELL: I was not testing anything.
I was asking a few questions.

MR. CAMPBELL: At page 4891 of the record it reads:
"Q. Would you be good enough to tell me when that shipment is supposed to have been made?

A. It was made in 1948.

Q. What time of the year?

A. I could not give you the definite time; about April.

THE CHAIRMAN: Q. What year was it?

A. 1948.

Mr. O'DONNELL: Q. April 1948?

A. April 1948.

Q. Would you please tell me to whom it was supposed to have been ?

A. It was O'Leary Co-Operative.

Q. At Tignish?"

Then Mr. O'Brien said:

A. No at O'Leary, and Tignish Co-Operative at

Tignish; that was the two in question. I am not saying that that was absolutely correct.

Q. Well, I want to find out.

A. It was quite slow, very slow.

Q. But you said, very fairly, that you thought the person who told you exaggerated somewhat, although you did say it took two weeks, according to the report he gave you?

A. That is right.

Q. Do you yourself believe that?

A. I think it took very near it.

Q. The consignee of the shipment was O'Leary Co-Operative?

A. That is right.

Q. And who was the shipper?

A. Myself.

Q. You were the shipper; and your name as shipper, would it be your personal name or the name of the co-operative?

A. Personal name in this case.

Q. So that Jerome O'Brien was the shipper of that alleged shipment of grass seed to O'Leary Co-Operative^{es} in April 1948. That is the only shipment you made to that co-operative at that time?

A. Yes, at that time.

Q. So that we cannot make any mistake; if we find one shipment that is the shipment?

A. That is the shipment.

Now my lord, that line of questioning is the type in general use by my friend who has got a witness who knows his

subject pretty well. So that there would be no mistake, I took the trouble of going to O'Leary and Tignish in my car. I examined the records. I have here two exhibits which I would like to file. As my friend said if we find one shipment there can't be any mistake. I found these two shipments. My friend apparently did not.

MR. O'DONNELL: If we had had them before we would not have had all that trouble.

(Page 6711 follows)

MR. CAMPBELL: I tender here the bill of lading, the original dated April 23rd at Charlottetown, shipped to O'Leary Cooperative at O'Leary, April 23rd, 1948 by Jerome O'Brien and as its counterpart I tender the freight bill arrival notice at O'Leary, eighty miles away, stamped April 30th -- eight days at ten miles a day.

EXHIBIT NO. 88: Filed by Mr. Campbell: Bill of Lading dated April 23rd and Freight Bill Arrival Notice dated April 30th.

MR. CAMPBELL (Con.): And on the same day the original bill of lading dated April 23rd, 1948 assigned to Tignish Cooperative, Jerome O'Brien shipper, with its counterpart freight arrival notice signed by the station agent at Tignish and dated by him April 30, 1948.

EXHIBIT NO. 89: Filed by Mr. Campbell: Original Bill of Lading dated April 23rd and Freight Arrival Notice dated April 30th.

MR. CAMPBELL (Con.): Now the next exhibit is one that I received from the railway yesterday and its introduction is found in Volume 25, pages 4712 and 4713. At page 4713 -- Now we have tested Mr. O'Brien's memory; now we have to test my own memory because it is my evidence here that is being dealt with. The attitude of counsel towards my memory was the same as their attitude towards Mr. O'Brien's, and if there was some doubt that Mr. O'Brien should remember without way bills in front of him when he had shipped these slow l.c.l.'s in 1948, it is positively borne out by the facts in the case of my memory. I propose to show from the railways' own records which I received only yesterday that I was giving them the advantage of five minutes in one case and that I was exactly right in the other to the minute.

Mr. O'Brien's memory was right to the day, month, and year -- mine was right to the minute but their attitude is the same. Page 4713, Mr. O'Donnell "I wonder if Mr. Campbell would be good enough to give the dates for the crossings on which he had so much trouble. THE CHAIRMAN: In so far as Mr. Campbell in his report is reciting facts, of course there is no reason why you should not question him on it.

MR. O'DONNELL: It would give us an opportunity in the meantime. MR. FRIEL: To know whether they are facts or not." So a little farther down the page at 4713 I said I thought that July 1st was the first trip I had been telling them about and that July 15th was the second trip. Now, from their own Exhibit which I received yesterday ---

EXHIBIT NO. 90: Filed by Mr. Campbell: Letter from Mr. H. C. Friel to Mr. J. O.C. Campbell, dated October 31, 1949.

MR. CAMPBELL (Con.): I will just read Mr. Friel's letter to me dated October 31st, 1949 --

"Dear Mr. Campbell:

I am enclosing herewith list in duplicate of the time arrivals at Charlottetown of mainland trains between May 1st and October 1st. Train No. 42 is a summer train and only operates from June 27th to September 6th, both dates inclusive.

Yours very truly,"

So that is the list which I have from the railway. Now, I checked on that list just to see if my memory had been right and, as Mr. Friel himself said on page 4713, to know whether they are facts or not and I find that on page 4712 I made these statements near the top of the page:

"That should have been a 7:30 trip, and we left at ten minutes after ten. We sailed away -- and the next trip, I might say, which was advertised on the car ferry

from Tormentine, was supposed to start at 10:30 p.m. But at 10.10 we sailed away from Cape Tormentine. I was filled with annoyance at our own plight, and with a certain amount of sympathy for the poor devil at Sackville, running down to catch the ferry according to its schedule when it was supposed to be leaving at 10:30 p.m. And that was three weeks ago.

Now, what happened just ten days ago when I was over attending the sittings of this Commission at Halifax? I remembered what had happened a few days before, so I said to my wife: We will get up there at ten o'clock this time in order to catch the 10:30 crossing; I said we will arrive at ten o'clock. Just in case they do the same thing they did the last time. But o you cannot beat them. You can't win.

We arrived at the pier at ten o'clock sharp and I made the usual inquiry: Where was the ferry: She is over at Borden again. At least we knew where she was. In due course she found her way back to Cape Tormentine, and at 12:15 we left Cape Tormentine for Prince Edward Island."

That is one hour and forty-five minutes and that is calculated on their official time. But if, on July 15th I had been leaving the next night, July 16th, I find from their official records that instead of being only one hour and forty-five minutes late, I would have been two hours and fifty-five minutes late and if on July 1st, I had crossed there on the American holiday, July 4th, rather than the Canadian one, July 1st, instead of being two hours and forty-five minutes late I would have been two hours and fifty-five minutes late by their official time.

Now I would just like to refer briefly to this Exhibit which I have just filed. In the few days that

she ran in September she was never on time. That is No. 42 and in the few days that she ran in June she was on time once. In August she was on time nine nights and in July, which is an important time because that is the time of the Regional Hearing at Charlottetown, up to July 22nd she was on time four nights. The Royal Commission, as you know, came to Charlottetown on July 23rd, sat there on July 25th 26th, and 27th, and that train for the first time in its history as shown by the official record was on time for four consecutive nights.

With the permission of the Commission I would prefer to reverse the order of the two witnesses. There are two to be called -- Colonel Thompson and Mr. Rogers, both of whose evidence was commenced in Charlottetown but Mr. Rogers may have to stay for some length of time at the Hearing and Colonel Thompson when he is through will be through. I would like to put Colonel Thompson on the stand first.

COLONEL CHARLES C. THOMPSON called.

EXAMINED BY MR. CAMPBELL

Q. You have already been introduced to the Commission in Charlottetown, Colonel Thompson?

A. Yes.

Q. Your official capacity is already on the record that you are Chairman of the Potato Advisory Committee?

A. Manager.

Q. Manager of the Potato Advisory Committee?

A. Yes.

Q. And you have a general statement to make in regard to the potato situation in its relation to transportation?

A. Yes.

MR. O'DONNELL: Is he the same gentlemen, Mr. Chairman,

who is on the record as George P. Thompson?

MR. CAMPBELL: No.

THE WITNESS: Mr. Chairman, I have had many years experience in the potato business. I am not active in it now except in an advisory capacity. I am not active as a shipper on account of health reasons but I feel from my experience that as a province and a producer of potatoes on account of our position that we should be given special consideration for some of the hardships and handicaps under which we suffer as compared with other potato producing sections. There are enormous hardships such as at times lack of sufficient protective cars, increased freight rates and many others, sir, and then we always get much lower prices for our potatoes than other potato producing sections of Canada. In that connection I might just --

THE CHAIRMAN: Do you attribute the lower prices to the other factors?

A. I attribute them, sir, to -- one of the big factors is that every increase in freight rates hurts us very materially.

Q. It cuts your price down?

A. Back to the producer, yes sir, definitely. And this forces us to have a fairly large movement by water. Now we have no facilities whatsoever for moving our crop with the exception of a small percentage in Nova Scotia by truck; otherwise our entire moving is by water and by rail and I would divide that about eighty per cent by rail and twenty per cent by water.

Q. Do you find that you should get a better net price when you ship by water?

A. Yes sir.

Q. Is that to the same shipping points?

A. Yes sir. In that connection when Mr. Scales was on the stand in Charlottetown I think it was yourself

that asked him if he could produce the approximate water rates from Prince Edward Island to southern points and also the average prices that farmers in Prince Edward Island obtained as compared with farmers in Ontario and Quebec and he said he did not have his figures available, that he would get them and I now have them here, sir, and this is a letter addressed to Mr. J. O. C. Campbell and signed by Mr. Scales under date of October 13th, 1949. He said in this statement --

MR. O'DONNELL: Mr. Chairman, I do not like to object and I try not to say anything except on very special occasions but we had Mr. Scales as a witness. Mr. Scales was examined and cross-examined and I feel that to come forward now with a letter from Mr. Scales and to read it into the record is scarcely the right way to proceed. If Mr. Scales is to give any further evidence than what he gave before or if there is something to be added to what he said then, we should have the benefit of examining Mr. Scales and having a chat with him as to what he personally has done in regard to potatoes.

MR. CAMPBELL: My lord, I have not the record at the moment but Mr. Scales was asked to produce this letter later. He was asked to send this letter to the Commission and he said he would.

THE CHAIRMAN: Is it a letter that Mr. Scales wrote or one that he received, Mr. Campbell?

MR. CAMPBELL: One that he wrote at the request of the Commission or counsel.

THE CHAIRMAN: Then he wrote to whom?

MR. CAMPBELL: I thought he wrote it to the Commission.

MR. O'DONNELL: The letter, I see, is addressed to Mr. Campbell.

THE CHAIRMAN: We will have to look up the record and see how the question of this letter being written arose. What happened, Colonel Thompson, do you remember?

MR. COVERT: He was asked for certain information and he said he did not have it and in the course of the proceedings --

THE CHAIRMAN: Who asked him for the information?

MR. COVERT: I think the assistant secretary has gone through the record and where he found there was certain information that they agreed to supply he has written to them for the Commission. It arises, I think, during the course of the examination. Mr. Scales said he did not have the information and he was asked if he would supply it. I would just like to check.

MR. CAMPBELL: It is at page 4801: "I don't want to ask you if there is anything you might not like to put on the record --"

THE CHAIRMAN: Who is questioning?

MR. CAMPBELL: This is under examination -- " -- but if you have no objection, I am sure the Commission would be glad to get the first-hand experience of a potato grower and marketer; and if you would do that I think it would be very helpful. A. I would be glad to do that."

MR. COVERT: Mr. Campbell, I think Mr. O'Donnell was cross-examining there,

MR. CAMPBELL: Yes, it is cross-examination.

THE CHAIRMAN: Then it was Mr. O'Donnell who suggested that this information be forwarded?

MR. CAMPBELL: "Do you think there are provincial statistics of that same kind available? A. I doubt it, as far as price is concerned. Q. I am interested in your own records, if you have no objection to giving them, and you say that you have not. A. You won't get it for some little time. Q. That will be all right. You can send it to the Secretary of the Commission and he will see that it

gets to the Commission --"

THE CHAIRMAN: Have you seen it, Mr. O'Donnell?

MR. O'DONNELL: No, I have not, my lord.

MR. COVERT: I think the procedure that had been adopted was Mr. O'Donnell in cross-examining Mr. Scales suggested that he send it to the Secretary of the Commission and Mr. Belcourt, the Assistant Secretary of the Commission has gone through the evidence and where he has seen something like that, that has not been forthcoming he has sent for it.

THE CHAIRMAN: There is only one question. Has Mr. O'Donnell had proper opportunity to see this document?

MR. COVERT: I don't think a copy has been forwarded but it would not be forwarded to him in the ordinary course because I think he simply asked the witness to supply it to the Commission and suggested that the Commission would be interested in receiving it.

MR. O'DONNELL: I assume I may have a look at it at some stage or another?

THE CHAIRMAN: He should see the document before we proceed to question somebody else on it so he knows what it is all about.

THE WITNESS: I could give evidence on my own, independent of Mr. Scales on this question.

THE CHAIRMAN: Well, Mr. Scales simply put it in the form of a letter which he was asked to forward at the request of Mr. Paul L. Belcourt. I think Mr. O'Donnell will be given an opportunity to hear it the same as I will.

MR. O'DONNELL: I don't know what it is yet. It might shorten proceedings if there are any similar documents, if they would let us look at them in advance.

MR. CAMPBELL: My friend will be bound by the answer he gets in cross-examination.

THE WITNESS: According to Mr. Scales, which I can substantiate in my own evidence, sir, the rail rate from Prince Edward Island Station to Boston, Mass. for a hundred weight is eighty-four cents, to New York is ninety-nine cents, to Norfolk, Virginia, it is one dollar and nine cents and to Jacksonville, Florida, a dollar and a half. Taking those four points gives an average rail freight of a dollar ten per hundred. The water charges as against that at a Prince Edward Island port are fifteen cents. That is an inward freight charge. The ocean freight, based on liner terms, is forty-cents to any of these points such as New York, Norfolk, or Jacksonville.

Q. You put all these together and then worked an average?

A. Yes, and the miscellaneous is five cents. That "miscellaneous" concerns such items as marine insurance, war risk, and other incidentals. That makes a total of sixty cents or a difference of fifty and a half per hundred on a bag of potatoes.

COMMISSIONER INNIS: You have no record of the amount you send to these ports?

A. I can tell you, sir. It averages from eighty to one hundred and fifty cars.

Q. But to each point. We are not interested in the average. How much goes to Jacksonville, and how much to New York?

A. I would say that this season, the current season, there would be about at least three ships to New York and perhaps four or five to Norfolk and at least three to Jacksonville.

MR. FRAWLEY: So there is comparative volume between the ports?

A. Yes.

MR. O'DONNELL: All depends where the buyer is.

A. If you take that one boat going to Jacksonville, Florida, where the rail rate is approximately a dollar and a half and the ocean rate at liner terms is forty cents, you then have a discrepancy of almost one dollar.

THE CHAIRMAN: That point is what?

A. Jacksonville, Florida, sir.

COMMISSIONER INNIS: How much goes by train and how much by boat?

A. I figure that based on last year's figures about eighty per cent of our crop was moved by rail and about twenty per cent by water.

THE CHAIRMAN: But how much to Florida - Jacksonville?

A. It would be higher than that, -- sir -- about ninety per cent by water?

Q. To Jacksonville?

A. Yes, because the rail freight is so heavy.

Q. Has there been much movement to Jacksonville?

A. The last few years it has developed very materially. Another question sir, which I can substantiate on my own evidence and which Mr. Scales was asked to give, was the comparative price received by Prince Edward Island, Ontario, and Quebec growers from the years 1920 to 1948 inclusive and that shows a most decided difference in so far as Prince Edward Island is concerned with Quebec and Ontario. It goes much lower.

Q. Much lower where?

A. To the producer, sir.

Q. The price?

A. Yes sir, and in that connection --

MR. O'DONNELL: Is that in the form of another statement?

A. Yes.

Q. Can I have a look at that?

A. Yes.

THE CHAIRMAN: When you say the prices are much lower to the producer you are talking of the prices at home?

A. To the farmers.

COMMISSIONER INNIS: Will those prices be put in the record?

A. Yes. In that connection, sir, on my own I have here a table of prices, average prices, received for the years 1936 to 1948 by the producers in Prince Edward Island, Nova Scotia and New Brunswick, and if you take the average for 1930 to 1935, the Prince Edward Island farmer received 45.5 cents per bushel, Nova Scotia received sixty-nine cents and New Brunswick forty-five cents, and if we jump to 1942, the Prince Edward farmer received a dollar and a quarter, Nova Scotia a dollar and a half, New Brunswick a dollar fifty-five and the Canadian average was a dollar and a half. So every year without a single exception from 1936 to 1948 our producer received much less return than the potato producer in any other section in Canada.

COMMISSIONER INNIS: Q. You talk about average; what is that an average of? Is there a wide fluctuation between what the top prices would be and what a lower price would be?

A. Yes, there is, sir. For instance, in Mr. Scales' letter there is, as I recall -- Mr. O'Donnell has that now.

MR. COVERT: It seems to me, Mr. Chairman, as we have been referring to this so much, it should be identified and put in as an exhibit.

THE CHAIRMAN: Oh, yes.

MR. COVERT: It will be Exhibit 91.

THE CHAIRMAN: What is Exhibit 90?

MR. COVERT: That is a letter from the railway to Mr. Campbell, enclosing the time tables or the times of arrival of the trains.

THE CHAIRMAN: That was 90; then this is 91.

MR. COVERT: Exhibit 91.

THE CHAIRMAN: And it is a statement of prices and freight rates?

MR. COVERT: A letter dated October 13, 1949, from Mr. Austin A. Scales to Mr. J. L. C. Campbell, attached to which is a memorandum showing the approximate cost of shipping potatoes per hundred pounds over both rail and water from P.E.I. stations to various ports on the Atlantic seaboard, and the value of potatoes per hundred pounds from the year 1920 to 1948 in each of the provinces, Prince Edward Island, Quebec and Ontario.

EXHIBIT NO. 91 -- Letter dated October 13, 1949, from Mr. Austin A. Scales to Mr. J. L. C. Campbell, with memorandum attached re costs of shipping potatoes, etc.

MR. SINCLAIR: Do the statements show the basis of the value?

THE CHAIRMAN: The value of what?

MR. SINCLAIR: How they arrive at the value.

THE WITNESS: In answer to your question, sir, taking the year 1920 as a typical exhibit, the P.E.I. producer received \$1.08 per bushel, the producer in the province of Quebec received \$1.67, and the producer in Ontario received \$1.61.

COMMISSIONER INNIS: Q. What I am concerned about is, what is the range in the same season?

A. I am going to explain that, sir; I just want to make one more point here. Take the year 1940: Prince Edward Island, 42 cents; Quebec, 80 cents; Ontario, \$1.12. Now, sir, that shows that Prince Edward Island is away down, and when you add on the freight rate to that we are still below their cost, but this is not a true picture at all, although those figures are supplied from the Bureau of Statistics, because the Ontario and Quebec figures are away up, and that is partially explained by the fact that this is a yearly average and that early in July those people have new potatoes on the market which sell at a very high price, and then when it comes to this time of year they are about on a level with the growers in Prince Edward Island, so that brings their average up considerably over what ours is.

Q. In Prince Edward Island what would be the range?

A. That range here is correct, sir, in so far as Prince Edward Island is concerned.

Q. I have not seen that.

A. In so far as Prince Edward Island is concerned this range is correct.

MR. O'DONNELL: Q. That does not give the

season as the reason, does it, Colonel Thompson?

A. No, it does not, that is quite true.

Q. There is just one figure given there for the year, is there not?

A. One figure for the year; but we have very little fluctuations, whereas they have the chance of bringing in their new potatoes in July, when our potatoes are still growing.

COMMISSIONER INNIS: Q. I was anxious to know what the fluctuations were in Prince Edward Island?

A. Well, that could be secured, sir; but very little.

Q. You say very little?

A. Yes, very little.

MR. SINCLAIR: Q. That is all based on table stock, is it?

A. This is table stock, yes.

MR. COVERT: Mr. Chairman, the witness referred to a table, and the exhibit is not in evidence. Now, I do not know whether this is the --

THE WITNESS: I am prepared to put this table in evidence, but not at the present moment, sir; I would have to have it copied.

THE CHAIRMAN: If it is a document that is going to be useful to us it should be put in, and should be provided to the railways.

MR. O'DONNELL: My lord, I asked the witness to let me look at the table he has been referring to. I do not want it right now. If you want to change it you can change it.

THE WITNESS: I can change it.

MR. COVERT: Mr. Chairman, if references were made to it, I wanted to give it an exhibit number, so that

the evidence would be clear.

THE CHAIRMAN: Yes, that is right. Then what is it? The exhibit number is 92, is it?

MR. COVERT: I understand from Colonel Thompson--

THE WITNESS: Yes: that is okay. That is supplied by the Dominion Bureau of Statistics, sir.

MR. O'DONNELL: Q. Is this the table you refer to as being yours?

A. Yes.

Q. When you say yours, you do not mean you made it, because I see it says it is compiled by J. E. McIntyre, Moncton?

A. That is right.

Q. So that is not yours?

A. No; I want to give a copy of it.

Q. But you did not make the table to begin with, it is somebody else's, so you are not speaking of first-hand knowledge of that table yourself; that is all I am getting at.

A. I can substantiate it figure for figure.

MR. COVERT: It will be Exhibit 92. It is entitled, "Yields of Potatoes per acre, Maritime Provinces."

THE WITNESS: And "Prices in cwt's" received.

MR. COVERT: And "Prices in cwt's."

EXHIBIT NO. 92 - Chart -- Yields of Potatoes per acre, Maritime Provinces, and prices in cwt's.

MR. O'DONNELL: Q. And that is as compiled by J. E. McIntyre?

A. Filed with me.

Q. As compiled by him?

A. Yes, compiled, that is right.

Q. Not by you?

A. No -- arising out of the evidence that was given in Charlottetown, sir; Mr. Lorne MacFarlane was on the stand.

THE CHAIRMAN: Q. Mr. who?

A. Lorne MacFarlane; and he was to be recalled in the afternoon, and he unavoidably had to leave. This is a similar case to the one of Mr. Scales, where he was asked to supply certain information, and I have it here.

MR. CAMPBELL: That has been filed with the Commission; this is a copy.

THE CHAIRMAN: What is it? What does it show? What is the document?

MR. CAMPBELL: The same information that Mr. Lorne MacFarlane was asked if he would furnish.

THE CHAIRMAN: But I mean, what is the nature of the information? What does it deal with?

THE WITNESS: He was asked, sir, by one of the counsel if, following the 21% increase in prices for the producer in Prince Edward Island ---

THE CHAIRMAN: Q. You mean the 21% increase ---

A. Freight increase.

Q. -- in freight rates?

A. Yes; if he got any higher prices, and Mr. MacFarlane is stating his situation from his own records and giving his reason why they actually did get a higher price.

MR. O'DONNELL: There again, as I remember that, Mr. Chairman, Mr. MacFarlane was supposed to come back to be cross-examined, and unfortunately he left at the luncheon adjournment and did not show up, so there we are. Now, I suggest this, Mr. Chairman ---

THE CHAIRMAN: Have you seen this?

MR. O'DONNELL: No, I have not seen that. And it might be a method of saving time for everyone if these various documents which it is suggested be put in by persons other than those who compiled them, or which contain information proceeding from somebody else, could be shown to us in advance; we might agree to let them go in without any further delay; but it is a strange way of doing it.

THE CHAIRMAN: Yes, you are right; you should see them, of course.

MR. O'DONNELL: We may have objection to them; I don't know.

THE CHAIRMAN: Now that they are here we will proceed, but you will see them, and if there is any objection to them you let us know.

MR. CAMPBELL: My friend should not have any objection to the McIntyre one that just went in; McIntyre is an employee of the Canadian National Railways.

MR. O'DONNELL: I do not say that I have any objection to them. I simply say that it would save a lot of time if the ordinary rule were followed. My friend has been many years at the bar, and he knows that ordinarily when he wishes to put in a document of that kind he at least might show it to the person against whom or with respect to whom he is tendering it. I may have no objection at all. If I had a look at it, that might solve the whole thing.

THE CHAIRMAN: But what I understand here is that it is not Mr. Campbell who is to blame. These witnesses were asked to send their statements to the Secretary of the Commission; that is right, is it not? Well, hereafter we will see that any statements sent in in that way that affect you in any way at all will be

sent on to you, if just to save time. I think it would be a useful thing to do. For the present, we have the statements right here, and, in order to prevent any unfairness, we will let you, Mr. O'Donnell, later on, if you wish, bring them up again, and let us know what your exceptions may be; but, on the other hand, it saves time to go into them now; there is no harm done by that.

You have just filed this one as Exhibit 92; is that so?

MR. COVERT: This one, Mr. Chairman, will be Exhibit 93.

THE CHAIRMAN: Q. And what does it show?

A. Shall I read it, sir?

Q. What does it show? What is it about?

A. Counsel asked Mr. MacFarlane if he noticed any increase in prices received in the Canadian markets as following the 21% increase in freight rates, and this is Mr. MacFarlane's reply.

EXHIBIT NO. 93 -- Letter, Lorne H. MacFarlane to Royal Commission on Transportation, September 29, 1949.

Q. What does he say?

A. He said that they did, and then he gives his reasons why they did, sir, and the reasons are that it so happened that the increase in freight rates coincided with a shortage of our American dollars to buy American imports of potatoes and fresh fruits and created an unprecedented demand for potatoes from the Maritimes, and they had a shortage of potatoes at the same time in Ontario and Quebec. That is briefly, sir, what happened.

Q. You think that although there was an increase---

A. Yes, and he further points out, with which I

agree, that had we not had to contend with the 21% increase in freight rates our farmers would have received the benefit of that increase. I would like to point out, sir, that in my opinion every time we receive an increase in freight rates it has a tendency to make farmers who are near the consuming centres plant potatoes, where they are within reasonable freight or particularly trucking distance, and it means that as far as we are concerned in Prince Edward Island, with the handicaps under which we carry on, we have about reached the saturation point.

Now, one thing that I would like to point out, sir, is that we ship quite a few of our seed potaes. to the southern states, and as far as they are concerned our potatoes with them are a market perishability; by that I mean that they are no good to them before the time that they definitely want them to plant, and they are equally no good to them after, if they arrive too late. In other words, they are just like Christmas trees before and after Christmas. They have very little cold storage facilities down there, and what they have ---

Q. When is the season for these shipments of seed potatoes?

A. Well, sir, we are starting shipping right now at this very moment to Florida and to Virginia and to North and South Carolina by water, but their potatoes must go in cold storage in that warm climate; dry storage is found to be unsuitable.

Q. Have you told us anything of your facilities or your difficulties in getting your potatoes to water?

A. I beg your pardon, sir?

Q. Have you told us anything about the facilities you have of getting your potatoes to the water, to the ships?

A. The majority of our potatoes coming from the farmer's hands to the water points such as -- four points at which we load on Prince Edward Island, namely, Summerside, Charlottetown, Georgetown and Souris -- is largely trucked in, although from far-distant points on the Island they are railed in. However, we experience no difficulty with that, except that the facilities for assembling the cargoes, or the sheds, are too small, but I believe that that has been taken care of or will be in the next year or two.

Q. You are talking, are you, now of the railway facilities when you say that?

A. No, I am not talking of the railway facilities.

Q. What facilities are you talking about, then, that you say are going to be taken care of?

A. Storage facilities for assembling the cargo.

Q. Well, who is going to provide the facilities?

A. The Department of Public Works, sir.

MR. FRAWLEY: Q. Provincial or dominion?

A. Dominion.

THE CHAIRMAN: Q. You mean to say the provincial department or the dominion?

A. The federal, sir.

Q. The Dominion Department of Public Works are providing better storage facilities for you at these shipping points?

A. That is right, sir.

MR. O'DONNELL: Q. You mentioned four points, Summerside, Georgetown -- and what were the other two points?

A. Summerside, Charlottetown, Georgetown and Souris.

Now, I would like to point out, sir, in that connection that Florida is the first state on the Atlantic

seaboard that plants potatoes, and naturally harvests them, and it is followed, coming up the coast, by Georgia, South Carolina, North Carolina and Virginia.

THE CHAIRMAN: Q. When do they plant potatoes in Florida?

A. Florida starts planting next month.

Q. You mean December?

A. Yes, sir. Now, they only have cold storage facilities for a limited quantity, and that is taken care of partially by the boat movement. Then you come further north to the next state, Georgia, and they must get their seed down in sufficient time to plant it, have it mature and be ready to ship just about the time that Florida on the south is finishing and before South Carolina on the north starts to move its crop; and the same argument applies to North Carolina, which must plant and get its potatoes out of the way before Virginia starts moving. Otherwise you would have a case where two large potato-producing sections would be marketing potatoes at the same time.

Q. Are you hampered in any way in getting your potatoes down there?

A. Yes, sir; that is just the point I am making. I am trying to show that it is absolutely essential that those states receive their potatoes between specific dates, not before or not after.

Q. Yes, but ---

A. When their cold storage facilities have been taken up by the water movement, then we have to resort for the balance that they require from us to protected refrigerator cars. Now, if we have the refrigerator cars on the mainland and have not got them in Prince Edward Island they are absolutely no good to us, and we have got

to load them and get them down there on definite dates, otherwise we lose the market. I have a case apropos of that, sir, right here ---

Q. Then what you are asking for is refrigerator cars on the Island?

A. An ample supply at all times on the Island, sir, and if the facilities as provided by the present car ferry are not ample, that we get increased facilities to move our potato crop.

Q. Have you taken this matter up with the railway at any time?

A. Yes, sir; Mr. Rogers, though, is more familiar with that than I am. In that connection, sir, I would like to read a letter. I have a letter under date of October 14, 1949, from the Associated Shippers Incorporated, Charlottetown, addressed to myself.

MR. COVERT: That will be Exhibit 94, Mr. Chairman.

THE CHAIRMAN: Q. It is from whom to whom?

A. Associated Shippers Incorporated of Charlottetown, whom I might say in passing are one of our largest and most responsible shippers. It says:

"Dear Mr. Thompson:

"With reference to our recent conversation as to the capacity of the car ferry in transporting empty refrigerator cars to this province for the movement of potatoes during the peak season, I would like to draw to your attention the following case:

"Last Spring we had a new market for P.E.I. Seed in Michigan, Ohio and other Mid-western states, which involved several hundred cars, and incidentally very valuable traffic to our Nationally owned Railway inasmuch as they went through the Detroit gateway. On many occasions we had orders for prompt or

reasonably prompt shipment, but had to refuse the business on account of the bottleneck at the ferry."

Q. On account of what?

A. The bottleneck; that is a term they use, sir.

"On numerous occasions we called the car service man, who stated that while they had cars at Sackville and Tormentine, these could not possibly be ferried in time to give prompt shipment.

"Of course, the time referred to is when the ferry Prince Edward Island was on duty and the ferry Abegweit was in dry-dock. This has been more or less the situation for a great many years at this particular time; and we feel it could be overcome to a degree if the Railway could assemble a bank of cars on the Island."

EXHIBIT NO. 94 -- Letter dated October 14, 1949,
from Associated Shippers
Incorporated to George P.
Thompson.

THE CHAIRMAN: We will adjourn now, Mr. Covert,
until 2.30.

---At 1.00 p.m. the Commission adjourned to meet again
today at 2.30 p.m.

(Page 6748 follows)

AFTERNOON SESSION

COLONEL CHARLES C. THOMPSON - Recalled.

THE WITNESS: Just one thing I would like to point out to the Commission. A few years ago we enjoyed in Prince Edward Island what was called "Competitive Water Rates" to such points as Quebec City.

THE CHAIRMAN: You mean competitive as between water and rail?

A. Yes, sir. In other words during the open season of navigation we were granted special rates by the railway to points like Quebec City, Toronto and Windsor.

Q. Those were competitive rates?

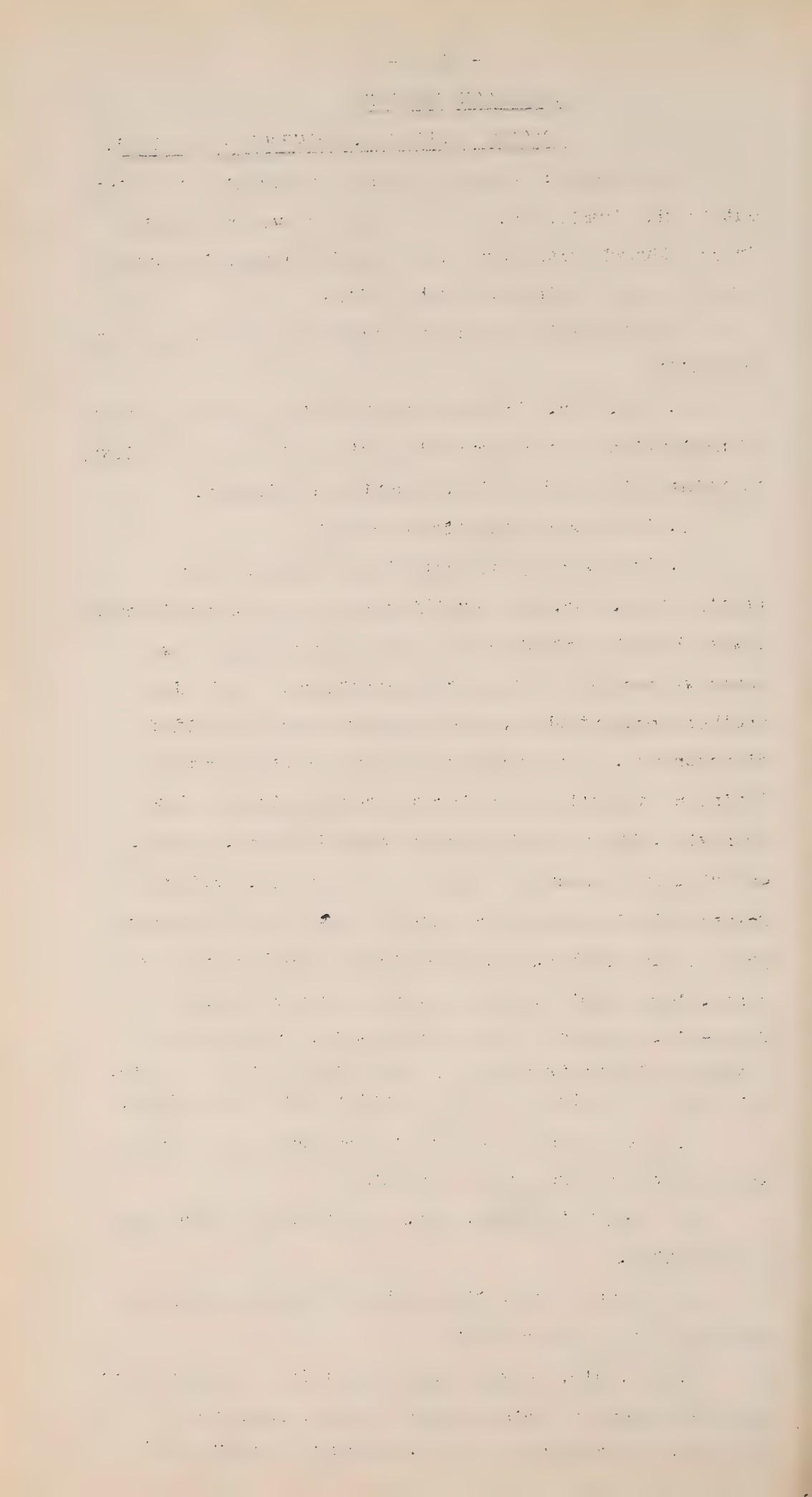
A. They were quite competitive and they were pretty close, sir, to prevailing water rates, considerably lower than the existing rail rates but the last few years we have not enjoyed that privilege. It is just another argument why we are placed at such a decided disadvantage. I am quoting from the figures from the Dominion statistics covering the return given by New Brunswick, Nova Scotia, Prince Edward Island, Quebec, Ontario, and Canada as a whole for potatoes. Prince Edward Island for the years 1920 to 1927 had an average price of one dollar, New Brunswick one dollar and five cents, Nova Scotia a dollar twenty, Quebec a dollar forty-six, Ontario a dollar thirty-six, and Canada as a whole a dollar twenty-six, and I might point out, sir, that that is typical of the situation right up to 1948.

Q. Now did these competitive railway rates cease when the water competition ceased?

A. I can't tell you, sir, just when they went out of operation.

Q. I mean to say, did you have then the shipping available at a lesser rate?

A. Yes, sir, we were able to get lake steamers that could come down to Prince Edward Island, load with potatoes, and return by the St. Lawrence through the



lakes to Toronto and Montreal.

Q. You have that now?

A. No sir, we do not enjoy that now.

Q. That is why the railway competitive rate disappeared, I suppose because the water competitive rate disappeared?

A. Yes sir. One point I would like to point out in the way that it appears to me personally is that every increase in freight rates has a tendency to increase production near the consuming centre and that of necessity curtails our acreage and by the same token lessens the long rate haul that the railway gets in moving our stock to those consuming markets.

COMMISSIONER INNIS: Have you any specific evidence on that point?

A. Yes sir, I have. We will take Toronto as an example. Rail rate up there is somewhere in the vicinity of forty-six cents today for a hundred pounds.

THE CHAIRMAN: That is the rate to you?

A. That is right. It was forty-two and the last increase puts it up into the vicinity of forty-six. That includes reefer car and heat. Now from Shelburne, Orangeville, Caledon to Toronto and Hamilton the average trucking rate is fifteen cents for seventy-five pound bags, from Barrie and Alliston to Toronto and Hamilton it is twelve to fifteen cents and from Penetang to Toronto and Hamilton it is fifteen to eighteen for a seventy-five pound bag. Those points I have mentioned in Ontario in the outskirts of Toronto are also potato producing belts of that province. The same applies to Montreal.

COMMISSIONER INNIS: Have you any evidence as to the increase in production of potatoes which followed?

A. No, I have not.

THE CHAIRMAN: You made a statement though, didn't you Colonel, that the production near the market increases? How do you know that then?

A. Well, we know from the information we are getting from our buyers up there, and furthermore, our sales certainly decreased last year as compared with previous years when the market went up. There are extenuating circumstances. I pointed out this morning that a shortage might occur in the Ontario market as it did following the twenty-one per cent increase and that was brought about by the fact that a lot of American potatoes used to be brought in but due to the shortage of American dollars in Canada they were prevented from using those potatoes and they had to come down at once and get their supplies. That is an abnormal situation.

COMMISSIONER INNIS: It would be interesting if you could substantiate in some detail the increase in production.

A. Well, in Ontario in 1947 they produced one hundred and thirteen thousand seven hundred acres. That is what they had under cultivation and in 1948 they had one hundred and fifteen thousand acres.

Q. You have not got it by bushels?

A. Well, it gives the yield against that acreage in 1947. Ontario had nine million, one hundred thousand hundred weight and in 1948 twelve million two hundred and twenty-two thousand hundred weight. In Quebec in 1947 they had ten million five hundred and fifty-eight thousand hundred weight and in 1948 they had fourteen million nine hundred and eighty-nine thousand hundred weight -- practically fifteen million hundred weight.

MR. SINCLAIR: I think it might be convenient to put the increase in Prince Edward Island in at the same

time in comparative figures, increase or decrease, whichever it might be.

A. We had forty-three thousand five hundred in 1947 and in 1948 we had forty-eight thousand two hundred and we had a yield in 1947 of five million eight hundred and seventy-three thousand against 1948 at six million three hundred and fourteen thousand .

Q. You have not worked it out, the percentage increase?

A. No, I have not. Another factor I would like to point out is that other potato-producing sections have the advantage of truck movement and with the exception of a small quantity of potatoes which we are able to truck to Nova Scotia we cannot truck on account of the bottle neck at Borden. Now about a month ago New Brunswick was shipping large quantities by truck across the American border into Boston and New York. We are prevented from doing that.

Q.

THE CHAIRMAN: What are the reasons why you cannot truck, you say?

A. Because sir, we have not got the facilities for transporting the trucks in addition to the regular traffic across the strait. Now I anticipate that last November, somewhere in the vicinity of thirteen hundred cars of potatoes were ferried. That is approximately correct. I anticipate that this coming month we will move in the vicinity of two thousand cars.

Q. That makes all the less room for the trucks?

A. We cannot move by truck. Trucks are out, sir, for us, with the exception of a few, as I say, to Nova Scotia. That is another reason. If we had a truck movement I think it might help us down there and of course that is out and in that connection I would like to quote from: "Marketing Situation, The Bureau of Agriculture

and Economics, United States Department of Agriculture, August 1949." And on page 19 I would like to read this: "

"A further significant recent trend is the decline of rail movements and the simultaneous increase of truck unloads during October, November, and December. For example, rails handled 83 per cent of the total shipments to Washington in October, 1946, but only 24 per cent in the same month of 1948. The corresponding changes were similar but much less drastic in November and December.

This decline apparently started in 1947 and became marketed in 1948. Maine producers, exclusive railroad users for hauls to Washington virtually dropped out of the October-December supply in 1947 and 1948. Receipts from New York state were diverted from rail to truck. Pennsylvania producers, who are exclusive truck users, increased their total shipments to Washington. Those three changes account almost entirely for the lower competitive position of railroads, although minor increases or decreases also occurred in all sources of supply. Canada entered the supply in November and December 1948 and was a substantial offsetting factor as it shipped by rail.

It is still too early to know definitely whether this shift is permanent, particularly as the major change occurred between 1947 and 1948. But it appears to have started shortly after the recent series of rate increases began, and has developed along the general lines that theory would indicate to be the natural result of increased rate differentials -- namely, withdrawal or reduction of supply

from more distant areas when supplies can be obtained from nearer producers. This appears to be a reasonable explanation for the shifts in supply from Maine and Pennsylvania. Probably the shift from rail to truck for the New York haul is based on comparative rates and service, with the increases in railroad rates giving an easier ceiling for the trucks to meet."

I would like to add this, sir, that my understanding is that a while ago rates went up in the United States and particularly from the State of Maine to the New England states, up as high as seventy-two cents a hundred weight. That has now materially dropped because of a big shift towards trucking to move the potatoes to Boston, New York, and such centres as that, and now they have got a lowering of rates rather than an increase. On the other hand, we are faced with an increase.

MR. CAMPBELL; Would you mind filing that report you have just read, Colonel Thompson?

EXHIBIT NO. 95.

Booklet entitled "Marketing and Transportation Situation, Bureau of Agriculture and Economics, United States Department of Agriculture.

Q. Had you finished, Colonel Thompson? Just one question I wanted to ask you, and that is, when you made the statement that when the freight rates went up that led to the increased planting in the areas surrounding the centres of production, does it follow that conversely there is a smaller planting, a smaller area of potatoes planted, for instance, in Prince Edward Island and in New Brunswick?

A. That actually has not happened as yet, but I try to point out that that is definitely the tendency in our opinion that it will have -- can't be otherwise.

Q. In other words, you feel that when freight rates go up the farmer immediately says, "Well, I can't compete," and he plants much less?

A. Yes; and we are definitely producers and we are not consumers, and by the same token we argue and fear that the producer pays any increase in freight rates and not the consumer, except it might be a rare case where there is a decided scarcity of potatoes, and if we in New Brunswick happened to have them we might be able to pass on some of that rail increase, but under normal conditions every car of potatoes that we produce in Prince Edward Island is sold on a delivered basis and not f.o.b.

THE CHAIRMAN: Q. When the farmer lessens his potato production what does he turn to?

A. That is just it, sir. If we get to the saturation point, with increased costs, and costs of material such as fertilizer, spray material and machinery are higher than anywhere else in Canada, and we get a lower return, and if we have to decrease our acreage or go out of business, I don't know what we would turn to. By the same token, if something happened to the grower of wheat in western Canada to put him out of business, I don't know what his answer would be or what he would turn to.

Q. Well, as I understand that answer, then, the situation has not yet arisen in Prince Edward Island where you can tell what the farmers do when they have not got a sufficient price for their potatoes?

A. That is true.

MR. COVERT: Q. The fact is, I understand, Colonel Thompson, that this last year after the increase of the freight rates had gone into effect there was a slight increase in the acreage?

A. That is quite right.

Q. And as a matter of fact the yield this year is probably one of the highest in the Island's history; there was an exceptional yield per acre, I understand?

A. Yes.

Q. And that is something that the farmer would not be able to tell about when he planted. Now, there was one further question, and that was in connection with the reefer cars; is that a situation that grew up particularly during the war?

A. No.

Q. I had in mind that during the war, when the Transport Controller made all arrangements, you had to call, I think, Moncton to arrange for reefer cars; am I wrong about that?

A. Well, I might say that I was not home during the war so I am not familiar with the situation except from hearsay.

MR. COVERT: That is all I have to ask.

CROSS-EXAMINED BY MR. HUME

Q. Colonel Thompson, I have one or two questions. You stated this morning that the potatoes are transported from the farms to bins, where they are loaded on the cars,

the reefer cars; is that correct? I am speaking of the potatoes from the producer, the farmer; how does he get them to the railway?

A. He grades them, and if there is a shortage of cars he has to endeavour to get them into a heated warehouse.

Q. How does he get them there?

A. He trucks them.

Q. He trucks them?

A. He trucks them.

Q. Then they are unloaded off the truck -- is that correct -- and loaded onto these reefer cars?

A. No; into the warehouse or the reefer car, as the case may be.

Q. And then they leave the province by rail?

A. That is correct.

Q. May I ask you this, sir: if there was the facility for the truck to get across the water more easily, would that traffic move by truck or by rail?

A. It certainly would, some of it.

Q. Move by ---

A. Truck.

Q. It would move by truck?

A. Yes, certainly.

Q. Have you any estimate as to what proportion would move by truck?

A. No, but I think, with our geographical position, that we could easily get to as far as New York; I don't know about beyond that.

Q. It would be a larger proportion than at present?

A. Oh, my, yes!

Q. And that notwithstanding the fact that your brief shows that some ten thousand trucks crossed on both ferries during the year 1948; have you any evidence that would

indicate that you have lost any orders for potatoes because you could not truck them out of your province?

A. Yes.

Q. Would you tell me?

A. I had an inquiry the other day by telephone from a man as far off as Michigan; he was willing to buy a large order of Prince Edward Island potatoes.

Q. How large?

A. I would say it would involve perhaps forty cars.

Q. Forty railroad cars?

A. Railway cars; if he could come here, take freight from there up to New York or Boston and then come on here empty and then fill up with potatoes and go home.

Q. You mean that this Michigan buyer was to use a truck and take freight from Michigan to somewhere, New York or Boston, then come up empty and load up his potatoes; is that correct?

A. Yes.

Q. And were you able to fill that order?

A. No.

Q. What was the reason?

A. We have not got the facilities for crossing to handle these big trucks along with the regular traffic, which is very heavy, particularly from now until next May.

Q. Is there any percentage at all of your potatoes that do leave your province by truck?

A. It would be very, very small, and it is chiefly confined to Nova Scotia points near by.

CROSS-EXAMINED BY MR. FRAWLEY

Q. Colonel Thompson, you said you used to have competitive water rates to central Canada, and you do not have them now; that is what you say is the situation?

A. Not to my knowledge, they are not in existence.

Q. You now pay 46 cents from Charlottetown to Toronto, which is a distance of between 900 and 1000 miles, I understand?

A. I believe so.

Q. Do you know what keeps that rate down, then, if there is no water competition?

A. What keeps the rate down?

Q. Keeps that 46 cents down?

A. It has gone up from 38 to 40 cents.

Q. Did you ever stop to compare it with the rate that the Lethbridge potato producer has to pay to get his potatoes to Winnipeg?

A. No.

THE CHAIRMAN: Do you mind telling us now how it does compare, Mr. Frawley?

MR. FRAWLEY: My recollection is that it is about 70-odd cents from Lethbridge to Winnipeg, a distance of about 700 miles, but that is in the record, sir; I am sorry, I have not got it under my hand; if I were sure of it I would put it to the witness.

THE CHAIRMAN: You may bring it to us later on.

COMMISSIONER INNIS: Lethbridge to Toronto would be more than that.

MR. FRAWLEY: Oh, no, -- only to Winnipeg, which is the market, and which is 700 miles, as against about 1000 miles that the Charlottetown potatoes have to go to get to Toronto, at 46 cents.

COMMISSIONER INNIS: They do not compete in the Winnipeg market?

MR. FRAWLEY: No. I am comparing the two scales of rates, sir.

THE CHAIRMAN: Is there a large quantity of potatoes shipped from Lethbridge to Winnipeg?

MR. FRAWLEY: Oh, yes, sir. We had that from a witness in Edmonton, sir, or Calgary.

THE CHAIRMAN: Now, does anybody else wish to question Mr. Thompson? Mr. O'Donnell?

CROSS-EXAMINED BY MR. O'DONNELL

Q. Colonel Thompson, my note is not very clear, but this morning you said that the average ocean rate, liner terms, was 40 cents, as compared with the rail rates to Boston of 84 cents, New York 99 cents, Norfolk \$1.09, and Jacksonville \$1.50, and you arrive at that 40-cent figure by averaging some ocean rates; is that correct?

A. No.

Q. Well, what is the situation?

A. I might explain, for the benefit of those who do not know, that liner terms in ocean charter means that a dealer can go into the tonnage market and charter a boat to load at two island ports and discharge at one in the south, such as Norfolk and Jacksonville, on the basis of 40 cents. And I do know of one the other day of 36 cents, liner terms. Now, liner terms means this, that the ship arrives in port, the charterer of the boat supplies the cargo, the ship operators take charge of the potatoes, put them in the ship and store them, dunnage them, protect them from damage, the boat sails, it arrives at destination, and the ship unloads the potatoes and puts them available for the buyer; that is all included in the rate of 40 cents.

Q. And the rate of 40 cents you said was arrived at by averaging a number of rates?

A. No, sir; I said that the rail rates averaged, but the water rates are ranging from 36 this fall to a prevailing rate of 40, and the highest I heard of was 42.

Q. Then what occurs to me, and what I wonder at, is why all shipments are not, then, made by water?

A. I thought I tried to explain that this morning, in that potatoes going to the southern states must of necessity go into cold storage to be available when they are ready to plant. Their cold storage facilities in the southern states are limited, and they have got to take some of their requirements later on by rail.

Q. So that the situation is at the present time that you use the rail only when there are no boats available?

A. Yes. We have some buyers who would prefer rail shipments, but they simply cannot compete with the water quotations.

Q. Now, the American rates, rail rates, are considerably higher, are they not, than the Canadian rail rates on potatoes?

A. I am not in a position to answer that question.

Q. You have not looked into that?

A. Except that I do know, as I stated a few minutes ago, that voluntarily the railways which would serve the potato-growing belts in Maine of their own free will and accord reduced their rates to meet water competition.

Q. Yes, but the rail rates generally speaking are higher in the United States than they are in Canada on potatoes?

A. I wouldn't know that.

MR. O'DONNELL: Well, as a matter of interest, my lord and members of the Commission, I think we had from Mr. Scales at page 4797, the information concerning the rates prevailing as between Charlottetown and Montreal, Toronto, and Norfolk, Virginia. I will not take the time of the Commission to set it out at this point.

THE WITNESS: Answering your question partially, we enjoy a rail rate on turnips to Boston of 67 cents and to Harlem River of 77 cents, and on potatoes to the

same two points we pay 79 cents to Boston and 94 cents to Harlem River.

MR. O'DONNELL:

Q. And this turnip rate is a relatively recent rate?

A. I beg your pardon?

Q. The turnip rate is a relatively recent one, is it not?

A. No, no; it has been in existence quite a few years.

Q. And I assume that turnips sell for very considerably less than potatoes?

A. I did not catch that.

Q. What is the relative price of potatoes as compared to turnips?

A. Our farmers right at this present moment are getting as much if not more for a bushel of turnips than they are for a bushel of potatoes -- that is, table stock potatoes.

Q. That is this year, is it not?

A. That is just this year.

Q. Not in past years?

A. No, no.

Q. Now, the statement that was produced as part of Exhibit 91, which is attached to Mr. Scales' letter, sets out a comparison between rail and water rates, and it was that to which you were referring this morning, the difference between the rail and water rates?

A. Yes.

Q. Mr. Scales did not give you ---

A. Mr. Scales' figures in my opinion are correct.

Q. Oh, I don't say they are not correct at all, but I am just saying he makes a comparison there of the rail rates and the water rates, and on the basis of those figures if you could obtain ships I assume you would ship

by water at all times?

A. Ships are being thrown at us.

Q. That is why you use them, I take it, as you said, in all cases except when they are not available?

A. No; when the facilities for storing potatoes they want down there are filled up.

Q. Well, the two go together, the facilities for storing and the ships. When the facilities for storing and the ship are available you always use the ship; is that correct?

A. Yes.

Q. And the railroad does not get the traffic in those circumstances?

A. They get the inward traffic, a lot of it, for the assembly.

THE CHAIRMAN: Q. You mean into Canada?

A. , No; from Prince Edward Island points out along the railway into the port, sir.

MR. O'DONNELL: Q. Do you anticipate that the shipping facilities are going to grow?

A. By water, do you mean?

Q. Yes.

A. I certainly do.

THE CHAIRMAN: Q. What do you say?

A. Definitely yes, sir.

MR. O'DONNELL: Q. And the storage facilities in the United States at those points to which you ship your potatoes -- Florida, Georgia and those other places -- the storage facilities are going to increase?

A. I cannot speak for what they are going to do down there; I don't know.

Q. Well, that is the point of my question.

A. I don't know. I would like to point out before I

leave that it was a great surprise to me to learn that as far back as 1881 and 1891 we grew approximately as many potatoes on Prince Edward Island as we are growing to-day, which shows that we did not make too much money on it, and our mortgages in Prince Edward Island on farms were a million dollars more in 1941 than they were in 1931.

THE CHAIRMAN: Q. How about your population?

A. Population is approximately the same, sir -- well, it has decreased a little.

MR. O'DONNELL: Q. Where would one find that information, that the mortgages are higher today than they were in 1931?

A. I can give it to you right here.

Q. Well, I would like to see it. Is that an official publication?

A. Well, it is taken from the census returns of Canada, the Year Book and departmental records -- subject to correction, of course.

Q. What year?

A. It covers from 1881 to 1947.

Q. And have you got comparable figures for bank balances and for automobiles and refrigerators and a few more of those things?

A. No, but I have got the population of horses, cattle, sheep, swine and poultry, and milk, butter and cheese production.

Q. I am speaking of something more tangible financially.

A. No.

Q. This Exhibit 92, Colonel Thompson, which is headed "Yields of Potatoes per acre, Maritime Provinces," is a computation ---

MR. CAMPBELL: Do you mind filing that?

MR. COVERT: That will be Exhibit 96.

MR. O'DONNELL: What is that?

MR. COVERT: That is the one from which he has been reading, taken from Census Returns, Canada Year Book and Departmental Records. It shows wheat, oats, barley, buckwheat, mixed grains, etc., the acreage in ten yearly periods, I think, from 1881 to 1947.

EXHIBIT NO. 96 -- Statement showing yields
of agricultural products,
1881 to 1947.

MR. O'DONNELL: Q. You did not compile this Exhibit 92, I think you told us, Colonel?

A. No.

Q. And you do not know what the spreads are through the year in the price?

A. Beg pardon?

Q. You have not any information as to the spreads which prevail at different seasons in the year?

A. No; that is an average for the year.

Q. These figures are average figures worked out from the data which is shown on the sheet?

A. Yes.

Q. And the basis of working it out you do not know?

A. I beg your pardon?

Q. You have no personal first-hand knowledge as to the basis upon which it is compiled?

A. Yes; it is compiled from information supplied by the Bureau of Statistics.

Q. But the prices in hundredweights, that is an average for the whole year; you cannot tell what the spread is at any period?

A. That is right.

Q. And you do not know at what seasons in the year, for instance, the potato grower in New Brunswick happens

to have sold his crop in any one of those years?

A. No.

Q. And likewise the grower in Prince Edward Island?

A. No.

Q. And there is a great difference in price, is there not, at different times of the year in the potato market?

A. Not so much, unless an abnormal year. Once our price opens, in the fall of the year, after the 15th of December, the price remains fairly stable. We look for ---

Q. Last year, in 1948, there was a considerable difference in the price of Prince Edward Island potatoes, was there not?

A. Nova Scotia ---

Q. At different times?

A. Well, there is a reason for Nova Scotia.

Q. No, I say Prince Edward Island; your potatoes varied quite considerably in price last year, 1948?

A. Well, I can explain that to you this way, that this year we have a fairly substantial acreage and we are getting an abnormal yield, and in order to get the potatoes away to market that the farmers cannot house to be protected from frost, they are practically sacrificed, they have got to be thrown on the market, but once that surplus is taken off the market and cold weather sets in, then the market settles down, and unless unforeseen circumstances occur the market remains at that until we are about through.

Q. Last year, 1948, some people got quite a lot more for their potato crop in Prince Edward Island than others did, through having sold at a different time?

A. Well, that is explained away by the fact --

Q. But that is the fact, isn't it?

A. Yes, but there is a logical reason for it.

Q. I think you said you did not know or did not remember when the low water competitive rates which you previously enjoyed, were removed?

A. No, I do not know. I know approximately when it started.

Q. When would that be, Colonel?

A. That would be in the early twenties. Because one firm moved very heavy quantities by lake boats up there and immediately after that movements commenced. We got the competitive water rates given us by the railway.

Q. When the competitive water rates disappeared as the chairman suggested the rates went down too.

Q. That was the same for one year or how many years?

A. Quite a few years. I am not in a position to say. It was continued in 1939.

Q. Did it still continue after the Maritime Freight Rates Act came into effect in 1926?

A. I think Mr. Madison is better qualified to answer that.

Q. For some time after the Maritime Freight Rate Act was passed you also had the benefit of that when shipping to Upper Canada, so to speak. Is that correct?

A. I would not know about that.

Q. Are you not aware of the fact that you enjoy that benefit at the present time?

A. I know in a general way our rate to Montreal was 30¢. It is much higher than that now. That is about the extent of my knowledge at the moment.

Q. You do not know the normal rate and the effect the Maritime Freight Rates Act has upon the rates you now pay?

A. I did not get your question.

Q. You do not know anything about the effect of the Maritime Freight Rates Act on your rates?

A. I would not care to express an opinion on that. I would have to give some thought on it.

Q. I think you said you were in the semi-employ of the Government of Prince Edward Island?

A. That point has been clarified. Definitely I am now.

MR. CHAIRMAN: What is your position?

A. We have there a Committee appointed by the Government - three growers, two dealers and three technical men.

Q. Growers of potatoes?

A. Potatoe farmers. This Committee assesses a tax by legislation on every bushel of potatoes grown in Prince Edward Island to try and improve our quality and control any diseases or pests and to promote sales.

Q. You raise a fund for that purpose by a tax?

A. Yes. This Committee approached me and asked me to undertake such work as advertising and co-operating with the railway. Incidentally I might show you a booklet which the Committee got out.

MR. CHAIRMAN: That is your present work?

A. Yes.

MR. O'DONNELL: You do not go into the freight rates as such?

A. Freight rates are left to the shipper concerned.

Q. You know that potatoes are sold in the Ontario market in competition with their potatoes and sold at a premium?

A. I do.

Q. You know also, I take it, that to a degree they

are shipped into quite a number of American States and sell there, also at a premium, over local potatoes?

A. I am not so familiar with the American market as I was a few years ago. I do know our potatoes do command a premium in Quebec and Ontario markets.

Q. You know what Mr. Scales said when he appeared at the hearings?

A. Yes.

Q. And you agree with what he said in that respect?

A. Yes.

MR. O'DONNELL: That is all. Thank you.

CROSS EXAMINATION BY MR. SINCLAIR

Q. You were talking of the movement of potatoes by truck to the mainland. You said if there were more facilities more potatoes would move by truck?

A. Yes.

Q. Would it be your contention that they pay their proportion of purchasing that ferry and operating it and maintaining it?

A. I am not in a position to answer that question. I think they should pay a fair share the same as motor cars pay it in gasoline tax?

Q. As a matter of principle you would not suggest that the trucks in Prince Edward Island for delivery to mainland points, should have that movement subsidized by the Government or by the tax payer?

A. I am not qualified to answer that.

Q. As a matter of principle should the movement of Prince Edward Island potatoes be subsidized by the Government or general tax payers or should the truck pay for the use they make of the facilities made

and 100% right-left symmetry.

From figure 10 it is evident that

the probability of obtaining a right-left symmetric pattern is 100%.

It is also evident that the probability of obtaining a right-left asymmetric pattern is 0%.

Thus, the results are as follows:

Probability of right-left symmetry = 100%

Probability of right-left asymmetry = 0%

Probability of left-right symmetry = 0%

Probability of left-right asymmetric pattern = 100%.

Thus, the results are as follows:

Probability of right-left symmetry = 0%

Probability of right-left asymmetric pattern = 100%

Probability of left-right symmetry = 100%

Probability of left-right asymmetric pattern = 0%.

The probability of obtaining a right-left symmetric pattern is 100%.

Probability of right-left symmetry = 100%

The probability of obtaining a right-left asymmetric pattern is 0%.

Probability of right-left asymmetric pattern = 0%

The probability of obtaining a left-right symmetric pattern is 0%.

Probability of left-right symmetry = 0%

The probability of obtaining a left-right asymmetric pattern is 100%.

Probability of left-right asymmetric pattern = 100%

Thus, the results are as follows:

Probability of right-left symmetry = 100%

Probability of right-left asymmetric pattern = 0%

Probability of left-right symmetry = 0%

Probability of left-right asymmetric pattern = 100%.

available to them?:

A. I do not think they should do either one.

Q. You do not? What would your suggestion be?

A. If we had the facilities for carrying trucks and when I say trucks I mean carlot trucks,

Q. Big ones?

A. Yes.

Q. Twenty-five ton trucks?

A. Yes.

Q. Good trucks?

A. Yes. If these trucks could do what they do in Michigan and Maine; if they could back up to the farm, load up and deliver to the farmers like they do in Maine they would give a better service.

Q. Say they went from a Canadian Pacific point where municipal bridge was built and they had to go across that and that bridge had to be kept up, who should pay for it? Would it be the truck or the municipality?

A. Whatever applied to trucks in that locality.

They could not make fish of one and flesh of the other, surely.

Q. You are not asking for special consideration for trucks?

A. I would like to see trucks; to have the availability of trucks.

Q. And that they should pay their own share for the facilities they use?

A. Yes, I guess they would.

MR. O'DONNELL: Q. I would like to refer you to Exhibit No. 96. In the note it shows Mortgages on Farms, Debts, Agreements of Sale, \$5,751,200. Have you any breakdown as between the mortgages and what are

designated as Debts?

A. No, I cannot break that down. I do know that in Prince Edward Island any reputable lawyer could tell you he is getting more demand for mortgages and loans of money, more so now than twenty years ago.

Q. The value of farms have not greatly increased?

A. Not such a great deal.

Q. If you refer to that exhibit under the year 1891 there were 43,521 acres of potatoes planted. Refer to the same line 1947 you will see 43,500 acres planted.

A. Naturally there is considerably larger yield. That is due to improved farming.

Q. I am inquisitive. At page 25 of the brief of the province of Prince Edward Island, there is a table showing the gross value of agriculture in Prince Edward Island has tripled in the past ten years. At page 25 in 1938 it was \$7,720,000. and in 1947 ten years later it was \$21,547,000. Tripled.

A. I would like the answer of that question to be given by Mr. Rogers who is better qualified to answer than I am.

Q. From what you know yourself do you not say the value of farms has gone up in the last ten years?

A. I would not think so, speaking not as an expert.

Q. You have not bought any farms in the last ten years?

A. No.

COMMISSIONER INNIS: Would you say there was a tendency /to make a specialty of potatoes?

A. Yes, sir.

Q. Are farmers going into potato growing as the one crop?

A. Yes but we have to go in for mixed farming also. But the reason why we make a specialty of potatoes is because it is a cash crop.

Q. It is still mixed farming?

A. Definitely yes. We have three kinds of seed potatoes. We try to produce the best.

MR. CHAIRMAN: No other questions?

MR. COVERT: Before Mr. Rogers takes the stand Mr. Hume wanted to answer a question which Dr. Innis raised this morning.

MR. HUME: This morning Dr. Innis asked me a Canadian question whether or not the Automotive Transportation Association developed or arranged co-operation between the Provinces in the matter of the construction and maintenance of roads. Is that your question sir?

COMMISSIONER INNIS: Yes.

MR. HUME: Our answer in a word is "no". But I should think being our first appearance before this Commission I should explain very briefly that the Association that I represent is a federation of provincial - six provincial associations each of which is completely autonomous in their own provinces and as such, do not interfere in any way with the national association representing trucks for hire, and while I will file the Articles of Association when our submission is presented, I think it would be better if I might read the object of the Association now. The objects of the Association are:

"generally to promote and further the interests of all forms of automotive transportation including interurban and intraurban trucking of a private or of a commercial character and specifically to promote and further the interests of interurban commercial truck operators in matters of national character; to maintain the right and privileges of interurban commercial truck operators; to promote rational legislation; to undertake and promote publications in the interest of the association and to do all such things as are incidental to the attainment of the objects of the association. To collect and disseminate information relevant to the operation and conduct of the trucking industry. To undertake necessary publicity on behalf of the trucking industry." In a word the Association which I represent has no operators as members. It is a federation of six provincial associations and individual trucking members. They are completely autonomous. This is merely a federation of the provincial organizations.

MR. FRAWLEY: I am now able to complete that point about the rate on potatoes from Claresholm, Alberta, to Brandon, 683 miles is 60¢; and the distance from Charlottetown to Toronto is over 900 miles and the rate is 46¢. I have taken this information from the Canadian Pacific Railway Appendix to part 1. I am sure it is reliable, but I would not want that held against me.

MR. CHAIRMAN: What are the rates?

A. 60¢ and 46¢.

COMMISSIONER ANGUS: Part of it must be Maritime Freight

Rates Act.

A. 20% of it must be. 20% on select territory.

THE CHAIRMAN: When you give these two points is there considerable shipping of potatoes between these points?

A. Between Claresholm and Brandon, it appears in the Canadian Pacific Railway. I would have preferred to have Winnipeg and Lethbridge; between these places there was considerable movement of potatoes. That information was not available. I can get it from the Transport Board tomorrow morning. when I only thought now the matter was fresh in my mind I would put it in. I think I should put in the rate. It is buried there in the record. I think it was put in at the Calgary sitting.

THE CHAIRMAN: Can you tell me what is the usual market for Lethbridge potatoes?

A. Mr. Cameron told us it was Manitoba and that means Winnipeg.

(Page 6789 follows)

THE CHAIRMAN: What is next, Mr. Covert?

MR. COVERT: Mr. Rogers, from Prince Edward Island. This, Mr. Chairman, is the continuation of the evidence which was given at the time of adjournment.

MR. CAMPBELL: I had concluded with Mr. Rogers, my lord, and I believe Mr. Covert had finished with Mr. Rogers too. Mr. Rogers is now available for cross-examination.

MR. COVERT: Mr. Chairman, I had finished questioning the witness and I think my recollection was that Mr. O'Donnell was about to question him.

MR. B. GRAHAM ROGERS called.

CROSS-EXAMINED BY MR. O'DONNELL.

Q. I have a few questions, Mr. Chairman. Mr. Rogers, at page 10 of your brief you have the heading "Present Transportation Facilities" and you make reference there at the foot of the page to the operating conditions which prevail and you say something about the heaviest steam locomotive is an eleven hundred type. The operating difficulties to which you refer are the curves and grades which prevail on the Prince Edward Island railroad?

A. Principally that, yes.

Q. And those grades are very heavy and the curves also are very sharp, are they not?

A. That is right. In some cases they are, yes.

Q. And that is why, I take it, the biggest locomotive that can be used there is this eleven hundred type, thirty-two per cent?

A. That is right.

Q. Also you set out figures there which show that the greatest tonnage which could be carried in a freight train is eleven hundred and sixty-seven tons with a thirty-two locomotive going south or east, I think, and

going the other way it would be seven hundred and forty-two tons?

A. Well, I think now from Emerald Junction into Borden they could carry a little more than that. It is mostly down hill and they could get along with a little more tonnage there.

Q. In other words, when comparing that operation to other parts of Canada where you may carry loads of five thousand to six thousand or even more tons, on Prince Edward Island the maximum appears to be about eleven hundred and sixty-seven tons?

A. That is right.

Q. And the number of cars in a train, you said on page eleven, was somewhere between thirteen and twenty cars?

A. That is the average freight train on Prince Edward Island and it is due in great part to the condition of the road bed and the curves and grades.

Q. And the rest of Canada where one hundred and ten or one hundred and fifteen cars might form a freight train you are restricted on the Island to trains of thirteen to twenty cars?

A. Yes.

Q. And that road, I think you told us in Charlottetown, Mr. Rogers, was built by the Prince Edward Island Government before Confederation or about the time of Confederation?

A. About that time, yes.

Q. And the Dominion took it over as it was at that time?

A. Yes, that is right.

Q. And I think you said something about it having been built by the mile as a matter of fact?

A. I am sorry to say that is right too.

Q. And your suggestion there would be, would it, that that might account for some of the curves in it, and if it were being built today it could be built more properly?

A. Yes, I think so.

Q. Now, at page 11 you referred at the top of the page there to "such adverse conditions". Those are the conditions we have just been speaking about -- the operating conditions?

A. Where is that?

Q. Top of page 11, third line: "due to such adverse conditions there is a limit to the tonnage which can be hauled by the train". I take it you are aware or have heard of the fact or -- let me say this first. Originally that was a narrow gauge road?

A. Yes.

Q. And a third rail was put in, widening the gauge?

A. Well, the third rail was only put in from Borden to Summerside and Charlottetown.

Q. And about that time a proposal was put forward, was it not, by the railway to straighten the curves and shorten the line and make it an easier operation?

A. You say a proposal was put forward by the railways?

Q. Yes.

A. Are you sure about that? I have never heard about it.

Q. I am just asking you. That is the information I have.

A. I never heard of it, sir. It might have been suggested in conversation between different parties but I don't recall of ever hearing of a concrete proposition to that effect. Perhaps Mr. Matheson could say.

Q. We will have to ask him later. You never heard of any objection being made by towns and villages and people who owned potato warehouses that that would have the effect of removing the railroad from the immediate vicinity?

A. No sir, I never heard any objections.

Q. Now at page 12, Mr. Rogers, from what you say there you say that the railways -- "It must be admitted that operationally an excellent job has been performed". You mean in spite of the difficulties which have been there from an operating point of view the railway has been well operated?

A. We mean by that that in view of the fact that the railway is crooked and the curves are bad and that the locomotive power is very small and that we have had a most serious bottle neck at Borden-Tormentine, that with the mechanical equipment that the railway has seen fit to put over to Prince Edward Island which I think you will admit yourself is not all it might be as far as passenger equipment is concerned, that the men who have operated that road we figure have done a very fine job.

Q. You set out there that last year in 1948 two thousand six hundred freight trains or two thousand six hundred and twenty railway cars crossed the ferries?

A. Yes.

Q. Now that, I take it, is a considerable growth, is it not, over the years from 1925?

A. Yes.

Q. There has been considerable traffic growth since that time, has there not?

A. Yes, that is right. I can give you those figures if you would like to have them.

Q. Well, your general statement is good enough for me. If you have them I have no objection to your putting them on the record.

A. Your lordship I hope will forgive me if I have to look for papers. We shipped a box containing our papers last Friday from Charlottetown and the box unfortunately has not arrived yet, so in the meantime I have brought with me some duplicates.

Q. Did you send them by truck or air?

A. No, Canadian National Railways. I am sorry about that but it may appear as if I am confused in looking for these papers but that is the reason. I only brought duplicates and since I arrived I have been trying to get them straightened out.

THE CHAIRMAN: No doubt the Canadian National Railways delayed deliberately?

A. I would not like to say that because in some particulars I am a pretty good friend of the Canadian National Railways.

Q. The fact is, could you show us a comparison between 1948 and the earlier years?

A. Well, the earliest figures I have here are 1921. That year there were fifteen thousand seven hundred and two railroad cars handled on the car ferry and that has reference to page 12 where it says in 1948 fifty-two thousand six hundred and twenty --

MR. O'DONNELL: I believe you have set out at page 14 of your brief those figures?

A. Oh yes, pardon me.

Q. Then just turning to that page 14 I see an increase in the number of cars and traffic or of freight, passenger and baggage that has been handled in the interval?

A. That is right.

Q. Since 1925 it has more than doubled?

A. Yes.

Q. 1925 was twenty-five thousand five hundred and ninety-two as compared to fifty-two thousand six hundred and twenty in 1948?

A. Yes, we are very pleased about that because it has not only been a good thing for Prince Edward Island but it was an excellent thing for the Canadian National Railways.

Q. And at page 39 of your brief you give some other evidence there. You show the cars shipped in and cars shipped out in two columns. In 1934 taking the total of the figures in the first two columns under the respective headings: "cars shipped in" and "cars shipped out" the total in and out is sixteen thousand six hundred and ninety?

A. Did you understand from that that those are loaded cars? These other figures include the cars which were brought over and back. Still they had to be ferried.

Q. There is no conflict in the amount. In 1948 it jumped to twenty-nine thousand nine hundred and twenty-nine. That is the total of the figures in the same two columns on page 39?

A. Loaded cars, yes.

Q. And that is an increase of about seventy-eight per cent over 1944?

A. Approximately.

Q. Likewise, while you have had these increases in traffic, I take it you have had increases in the carrying capacity of the several ferries which you have had available through the years. Since 1931 I understand

you have had two new ferries?

A. One was lost at sea.

Q. One was sunk during the war?

A. Yes.

Q. I think that was the Charlton, was it not?

A. Yes.

Q. And now you have the Abegweit and the Prince Edward Island, which you refer to at page 12 of your brief as also still available, is it not?

A. Yes sir. May I make an explanation there?

Q. Sure.

A. You say the Prince Edward Island is also available. That is correct, but the figures which you have just read are our traffic which has increased very very largely. Now the old Prince Edward Island, she carries ten railroad cars; the Abegweit is supposed to carry nineteen. Actually at times it is only seventeen, as you know, for various reasons, length of cars and so on.

Q. Between those two there is a total carrying capacity of twenty-nine cars?

A. Yes, that is right. Well, we will say twenty-seven.

Q. Your own figures said nineteen and ten so I used those figures.

A. We are allowing the railway the benefit of the doubt there on the length of cars.

Q. And the combined carrying capacity from the point of view of automobiles of the Abegweit and the Prince Edward Island is one hundred and thirteen, is it not?

A. That is right.

Q. And the Abegweit, as a matter of interest

has about a ninety per cent greater carrying capacity from the point of view of carrying freight cars than has the Prince Edward Island?

A. Approximately.

Q. And can carry twenty-five per cent more automobiles or about fifty-seven per cent increase over the Prince Edward Island. In addition to those two vessels, the Abegweit and the Prince Edward Island, there are also available as standbys the Scotia One and the Scotia Two which can be used in cases of emergency?

A. Yes, but we would not like to ask the railway to assume the responsibility for a terrible incident such as they were forced to assume during the war years by putting those boats on again when you know yourself the railways refused to operate those boats because there could conceivably be a loss of life and I think you should eliminate the two Scotia's from any reference.

Q. But nevertheless they are there, are they not?

A. They are there. What about the Strait of Canso? You have to use one down there.

Q. There is no traffic on Canso and they could be and have been used in special work. I don't want to argue.

A. Well, go ahead.

Q. Apart from that, you have air facilities which have increased quite considerably through the last fifteen or twenty years?

A. That is right.

THE CHAIRMAN: You say "air facilities"?

MR. O'DONNELL: Yes my lord.

THE CHAIRMAN: For the shipment of freight?

MR. O'DONNELL: They have, I understand, air freight, my lord.

THE WITNESS: Yes, for perishable products at times

but the air shipments only amount to a very very small fraction of our production.

THE CHAIRMAN: What do they carry?

A. Strawberries in season and live lobster. Those two articles are the only two things in season.

MR. O'DONNELL: In the last two seasons there has been quite a movement of both live lobsters and strawberries has there not, in season?

A. Oh yes.

Q. On page 15 of your brief you set out there one million four hundred and ninety-seven thousand five hundred and fifty-four of express and freight by air in 1948?

A. That is right.

Q. Now this matter of so-called continuous communication with the mainland has been the subject of enquiry on several occasions, has it not, before commissions?

A. Yes, but I would like to make a statement in regard to your statement.

Q. I did not make a statement.

A. You said our capacity on the car ferries was doubled. It was up to twenty-nine cars against ten before the Abegweit came but I think it is only fair to put on the record that while those two boats are there, they both have to go in drydock in the Spring and Summer months and so, for a period of almost three months we only have one boat there. That is, one boat may be away six weeks in dry dock and the other boat may be away six weeks or a month in dry dock, and furthermore a letter was filed here this morning whereby your own President says that the facilities that are available there today are not adequate to handle the traffic.

Q. I don't think he put it in quite that way.

I would assume that what was said (and the Commissioners can read that) was that at certain times, at peak movements, there is some one who must wait for the next trip but is it not to your knowledge that no one has ever been left over night on the dock at either end?

A. Yes sir, I have personally heard of that.

I was one of them myself and Arthur Roper from Charlottetown was with me if you want proof of it.

Q. But the freight that is being put over to the Island at the present time is being handled by it?

A. No sir, I disagree with that absolutely. May I read something to back up my statement?

Q. Well, in any event --

A. I would like to read that back into the record. Mr. Thompson has a book showing the amount of carload freight that was tied up between Sackville and Tormentine and could not get over on the ferry and I lost my copy; it has not arrived here yet.

Q. You will have an opportunity to put that in later.

THE CHAIRMAN: You mean on some particular occasion, do you?

A. No sir, that is off and on over a period of five months, these records are. It shows freight cars that were held up on the mainland that could not get over the Prince Edward Island without waiting for a period of one, two, three, four, five days on these ferry facilities.

Q. You have that?

A. Yes sir, I will file that as soon as Colonel Thompson comes in.

MR. O'DONNELL: This matter of . the continuous

communication with the mainland has been the subject of enquiry by several Commissions, has it not -- the Duncan Commission, and the Sirois?

A. Yes sir.

Q. And since the Duncan Commission I think you were good enough to give us the figures concerning the changes which have taken place both in the traffic and in the facilities which are available. And since the Sirois Commission the Abegweit has been put into operation, has she not?

A. That is right, yes.

MR. O'DONNELL: Now, my lord, at this point in the record it appears to me that it might be a matter of convenience if I just put the relatively short extract from the Sirois Report, which is in volume 2, concerning this very matter. It will be found at page 264. Regarding Prince Edward Island claims, the Commissioners there say:

"Two claims arising from the agreement of Confederation were presented to us in our Prince Edward Island hearings. As we have already said several times in this section of our Report, claims of this sort have often been evidence of real fiscal need on the part of the claimant province, whatever the merits of the claims themselves."

Then they go on to say further:

"Having done this" --

That is, having attempted to meet the fiscal needs of the province --

" -- we think that the claims presented by the Province should be examined on their merits in order that no outstanding grievance should remain unanswered and thus continue to trouble relations between the Province and the Dominion."

Then, under the heading, "Continuous Communication with the Mainland":

"A claim was presented to the Commission at its hearings at Charlottetown by the Board of Trade of that city concerning the alleged failure of the Dominion to implement its obligation to provide continuous communication between Prince Edward Island and the mainland. The difficulties of transportation from the Island were also stressed in the brief of the Transportation Commission of the Maritime Board

Board of Trade. To both of these submissions the Government of Prince Edward Island gave its support and approval, and, therefore, while this claim was not put forward expressly by the Provincial Government, we feel it is desirable to express our opinions concerning it.

"By the Order in Council of June 26, 1873, under which Prince Edward Island entered Confederation, it was provided that the Dominion should assume the cost of an 'Efficient Steam Service for the conveyance of mails and passengers, to be established and maintained between the Island and the mainland of the Dominion, Winter and Summer, thus placing the Island in continuous communication with the Inter-colonial Railway and the railway system of the Dominion.' This provision has been the basis of a number of complaints by the Province against the Dominion. In the brief submitted to this Commission by the Charlottetown Board of Trade a complaint was made about the failure to provide connections with the afternoon train from Montreal during the winter months, although it was admitted that a ferry service each week-day was provided. Protest was also made because of the fact that the ferry service did not operate on Sundays. It was admitted, however, that these alleged deficiencies in service were in large measure made up by an airplane service operated by Canadian Airways Limited and subsidized by the Post Office Department.

"It may be noted that, in 1901, following complaints by the Island of the Dominion's failure to provide continuous communication with the mainland, an additional annual subsidy of \$30,000 per year was

paid and accepted by the Island as compensation for deficiencies in communication service with the mainland between 1873 and 1888. The statute providing for this subsidy stipulated that 'such allowance to be paid and accepted in full settlement of all claims of the said province against the Dominion of Canada on account of alleged nonfulfilment of the terms of union between the Dominion and the said province as respects the maintenance of efficient steam communication between the Island and the mainland.'"

THE CHAIRMAN: What was the amount?

MR. O'DONNELL: \$30,000 annually, and that is provided for in the statute, 1 Edward VII, chapter 3, which was assented to on the 23rd of May, 1901.

THE CHAIRMAN: Well, is that annual payment still going on?

MR. O'DONNELL: That is my understanding; and that annual payment ---

THE CHAIRMAN: Was that paid as damages for past negligence or something of that sort?

MR. O'DONNELL: It is said to be accepted in full settlement of all claims of the said province against the Dominion on account of alleged non-fulfillment of the terms of union between the Dominion and the said province as respects the maintenance of efficient steam communication between the Island and the mainland.

THE CHAIRMAN: Now, that apparently wiped out all claims as to the past.

MR. O'DONNELL: That is right.

Then the Sirois Commission goes on to say,
my lord:

"This special subsidy of \$30,000 is still being paid and any claim for deficiencies in communication must depend upon events subsequent to 1901.

"In the brief of the Transportation Commission of the Maritime Board of Trade it was suggested that the practicability of tunnel communication between the Island and the mainland should be taken into consideration. In evidence, however, the representative of the Board of Trade who presented the brief admitted that the cost of such a tunnel would involve a large sum of money. Because of the enormous cost of such a project, we cannot think that a tunnel is a practical solution of the Island's difficulties of communication, nor do we think that the Island is entitled to demand from the Dominion this type of continuous communication.

"A similar claim that the Dominion has failed to provide continuous communication with the Island was apparently made to the Duncan Commission, which recommended that the matter should be considered 'from the point of view of placing at the disposal of the Island such satisfactory means of communication as will ensure as regular and complete a service as can reasonably be made. Following this recommendation the ferry service to Cape Tormentine was considerably improved and a daily air service between Charlottetown and Moncton was inaugurated. In addition to this there is the summer ferry service between Charlottetown and Pictou for which we understand an improved service by Wood's Island, providing especially for the carriage of motor vehicles, will be substituted beginning in 1940.

"Upon consideration of the whole matter we find that the Dominion has not failed, and is not failing, to discharge its obligations under the terms of union, and that there is no basis today for a claim by the Province on this ground. A reasonable ferry service has been provided and reasonable improvements have been instituted from time to time."

That is the end of the extract I had in mind, my lord. Since that time the Abegweit was added, and these other facilities, with the further subsidies to the Wood's Island ferry which were spoken to when we were in Charlottetown.

THE WITNESS: May I speak to that, Mr. O'Donnell?

MR. CAMPBELL: Q. What type of winter service was there in 1905?

A. Your lordship, in answer to Mr. O'Donnell's question ---

MR. O'DONNELL: I did not ask any question.

THE CHAIRMAN: Q. You mean in answer ---

A. If I could say something in response to what he read.

Q. Yes; what is it?

A. First of all, you will note that Mr. O'Donnell made reference to improvements which had taken place after certain commissions had investigated conditions in transportation to and from Prince Edward Island, and may I say that we also are hoping that after this Commission we will have some improvements too -- in fact, some have already taken place. In reference to the terms of Confederation in regard to continuous communication, I think any reasonably-minded man will understand that that has not been exactly carried out, at

least not for a good many years, and ---

Q. Well, you see, that was admitted in 1901, when the Dominion began to pay what might be called damages in respect of ---

A. That was 1901.

Q. And that is still going on?

A. I would like to show you what happened in 1905, four years afterward. Now, this is a photograph of the type of accommodation that we had in the winter time to and from Prince Edward Island, and there is no question about the authenticity of this photograph, because the third man from the right happens to be my father, and that was in 1905. I would like to file these with the Commission as evidence that the terms of Confederation were not carried out.

MR. COVERT: That will be Exhibit 97.

MR. O'DONNELL: You will be glad to give us a souvenir copy, I take it, Mr. Rogers?

THE WITNESS: I have much pleasure, sir.

EXHIBIT NO. 97 -- Photograph showing conditions in Northumberland Strait in 1905.

THE CHAIRMAN: Q. How would you describe this photograph? What is it?

A. That is the transportation services for mails and passengers across Northumberland Straits to and from Prince Edward Island in the year 1905.

COMMISSIONER INNIS: Q. For how long a period?

A. Oh, well, that went right from 1873 up to 19 ---

Q. But I mean in that year?

A. For how long a period? All winter.

THE CHAIRMAN: Q. Were the straits frozen over?

A. Oh, yes, they freeze over every winter.

Q. They do?

A. Yes. We had a couple of small iceboats that used to run from Georgetown to Pictou, but they get stuck in the ice for three weeks at a time, and they were not much good to us, you see.

MR. O'DONNELL: One of these seems to be an icebreaker.

THE CHAIRMAN: Q. At the present time are the straits not kept open all winter?

A. By the car ferry, yes, sir -- a big improvement today -- just in her track, that is all, though.

Q. Well, since when have the straits been kept open all winter? Since what year would you say?

A. The year 1917, when the car ferry came.

Q. When what?

A. When the first car ferry came, in 1917, and she was not stuck out much longer than 36 or 40 hours at a time going the nine miles; I mean, those were her periods of delay.

Q. Since 1917 these conditions do not exist?

A. Have not existed, no, since 1917.

MR. O'DONNELL: Q. Now, you have the biggest icebreaker and the best equipped ferry in the world, have you not?

A. Yes.

Q. With restaurant, cafeteria and ---

A. And we have increased traffic, Mr. O'Donnell, since that boat was designed, which has caught up with the boat.

Q. Now, Mr. Rogers, at page 4744 of the transcript, where there was evidence by you concerning the situation as to efficient steam service for the convenience of mails and passengers ---

A. Could I borrow a book of the Prince Edward

Island evidence? Mine is still in the Express Company somewhere.

Q. Well, I don't know that you will need it; I have just a short passage.

A. What did you say the page was, Mr. O'Donnell?

Q. Page 4744; it was suggested that the matter should be pursued further as to the situation which prevailed concerning the handling of freight in those days, that is, from 1873 forward. Have you been able to get any information other than that or in addition to that which Premier Jones was good enough to give us concerning the situation then prevailing? Do you know anything about the number of coastal steamers, for instance, that plied the coasts in the years say from 1873 on?

A. You mean in coastal shipping?

Q. Yes; have you any records in your department? Have you any records available which would show the number of coastal steamers that were plying the ---

A. Eighteen ---

Q. . 1873 on through the years?

A. No, sir, I have not.

Q. You remember that Premier Jones ---

A. There were a great many of them.

Q. You don't know how many there were, but there were a considerable number?

A. There were a large number, yes.

Q. Premier Jones said at page 4662 that there were thousands of schooners came in here -- we were in Charlottetown at that time -- and carried the food which kept Nova Scotia, Newfoundland and those other places going, and he said he can recall places where there is not even a wharf today where as many as seventeen schooners were lying there. You cannot give us any

more definite information concerning the number of schooners which plied the coasts and the ports of Prince Edward Island during those years from 1873 on?

A. I would not like to make a statement, because it would only be from hearsay, but if you actually require it I could dig up that information for you.

Q. Well, if you have any information ---

A. I did not think it would be required, so I did not dig it up. If you will remind me I will get it for you.

MR. O'DONNELL: At pages 18 and 19 of the brief, my lord, some reference is made to the Island Motor Transport Limited, and to the bus situation regarding the use of the ferry. Exhibit 57 was put on the record, and I have reference now to the transcript which appears in volume 25 at page 4747 and following, and it occurred to me that it would be of interest to the Commission to have the exact situation of record, and I have accordingly had copies made of the agreement which was made between the Canadian National Railway Company and S. M. T. (Eastern) Limited, and between the Canadian National Railway Company and the Island Motor Transport, Limited, both of these agreements being dated May 1st, 1939. I would produce as Exhibit 98 the agreement between the Canadian National Railway Company and S.M.T. (Eastern) Limited, dated May 1st, 1939, and as Exhibit 99 the agreement between the Railway Company and the Island Motor Transport, Limited, dated the same date, May 1st, 1939.

EXHIBIT NO. 98 -- Agreement between C.N.R. Company and S.M.T. (Eastern) Limited, May 1, 1939.

EXHIBIT NO. 99 -- Agreement between C.N.R. Company and Island Motor Transport, Limited, May 1, 1939.

THE WITNESS: And I think attached to that should be the letter of K. J. & K. M. Martin on the same subject.

MR. O'DONNELL: Well, it is Exhibit 57; I made reference to it.

THE WITNESS: In connection with that agreement--

MR. O'DONNELL: That sets out the arrangement which prevails concerning the use by the bus company of the piers which was spoken about by Mr. Rogers at that time and the conditions before the --

THE WITNESS: In connection with the --

THE CHAIRMAN: That agreement was made in 1939?

MR. O'DONNELL: 1939, my lord.

THE CHAIRMAN: Is it still in existence?

MR. O'DONNELL: That is my understanding, that it is still in force. That is the agreement which at page 4747 Mr. Rogers said the bus company was forced to sign:

"The eventual outcome of it was that, in order to save their passengers from a great deal of inconvenience, the bus company was forced to sign an agreement, although they were advised at the time not to sign it."

THE WITNESS: That is correct; they were forced to sign the agreement.

THE CHAIRMAN: Was that intended to remedy the situation, where we were told that bus passengers were made to get off the bus and walk a mile or so?

MR. O'DONNELL: Yes; it allows the use of the piers on the payment of those moneys.

THE CHAIRMAN: Now, that is still going on?

MR. O'DONNELL: Yes.

THE CHAIRMAN: The piers are being used, are they?

MR. O'DONNELL: As I understand it, yes; I thought it would be advisable to have it on the record, inasmuch as all there had previously been in was Exhibit 57, the letter written, as I understand it, by Mr. Martin, who was the bus company's lawyer, addressed to Mr. Campbell.

THE CHAIRMAN: Q. Then what is the contention about this agreement, Mr. Rogers? That it is unfair?

A. Yes, sir. The contention about the agreement is this, that the buses were hauling passengers over this particular King's Highway to the boat, the same as I, for instance, could take you in my automobile to the boat or a trucker could drive to the boat, but because it was a bus containing passengers going over on the ferry, who incidentally were paying their fares, the railway said, "No, you must not come down on this wharf."

Q. Yes, I remember all that.

A. And they hired policemen to --

Q. As a result of that situation this agreement was arrived at in 1939?

A. Yes, because --

Q. Now, do you say that agreement is not a fair one?

A. It is not a fair one, no, sir.

Q. Why is it not fair?

A. The reason why it is not a fair one is this, that first of all that pier is owned by the Dominion Government, it is not owned by the Canadian National Railways. That pier is a King's Highway in the right of the Dominion Government, and in so far as the statutes of Prince Edward Island are concerned it is again considered as a King's Highway, because the province of Prince Edward Island paid money for the upkeep of that road, they used their machinery and paid statute labour, and according to our Act any road

on which the Government uses its machinery or employs statute labour automatically becomes a King's Highway; and we do not think that the Canadian National Railway Company has the authority to charge a bus for going down on that pier. They may as well charge a truck for going down, they may as well charge you for taking down your automobile, but in that case I think it would probably come to a court case. But there is an injustice there, sir; that is the point.

Q. You say the agreement should be set aside, and the buses --

A. The agreement should be definitely set aside, and what we asked for in July was that the agreement be set aside and that the moneys which were paid be returned.

Q. To the bus company?

A. Exactly. We think it is only a fair, decent proposition.

MR. O'DONNELL: Q. Well, the bus company is advised by counsel; you are not an employee of the bus company?

A. No.

MR. O'DONNELL: And on the face of the agreement I might say, my lord --

THE CHAIRMAN: What is the attitude of the bus company in respect of this situation?

MR. O'DONNELL: The bus company has made an agreement, and I assume they are honouring the agreement, and on the face of the agreement the second recital is:

"AND WHEREAS, the Railway has at Borden established a private roadway from its station to the pier for the purpose of accommodating automobiles for transfer across the Straits on the railway ferry;

"AND WHEREAS, the Company has requested permission to operate its buses to the pier to connect directly with the ferry services".

On the face of the contract it is recited that that is a private roadway, it is not a King's Highway, and for the use of that the charges are set out in the agreement, which has been in force since 1939.

THE CHAIRMAN: Who else uses this private roadway?

MR. O'DONNELL: Anybody who is crossing on the ferry; but the point here, my lord, is that the buses were not crossing on the ferry, as I understand it, but were merely driving people onto the pier and leaving them there and then returning. The bus was not using the ferry or paying a fee to the ferry, and therefore the owners or the agents for the owners of this private property said, "Well, you may do so subject to the payment of what is fair and reasonable." They ran five or six thousand busloads of people across this road, which had to be maintained and kept up, and the owners of the road and the operators of the ferry were not getting any revenue from the buses as such. The passengers were going across anyway, paying the usual fare, as far as that is concerned, but the parties obviously came together in 1939 and signed this agreement, and there the matter stands.

THE WITNESS: They were forced together in 1939; and there have been hundreds of agreements made in the history of the world that were found to be wrong afterwards. What right has the Canadian National Railways to call that a private highway?

MR. O'DONNELL: Well, we will let the Commissioners decide that. I am not getting into a debate with you about that.

THE WITNESS: No, there is no need of that.

MR. O'DONNELL: All I point out is that there is an arrangement in force under which the use of the pier is allowed in return for the consideration stipulated.

THE CHAIRMAN: Is there a question whether or not this highway is a private roadway?

MR. O'DONNELL: I take it there is none as far as the Railway is concerned, and there is none so far as the signatories to the contract are concerned; they agreed it was a private way.

THE CHAIRMAN: Q. You say it is not a private way?

A. I say it is not, sir. I say that any company or any individual has not the right to call a King's Highway a private highway in their right. That is only --

THE CHAIRMAN: What about this, Mr. Campbell? Is this a private roadway or is it not?

THE WITNESS: It is not.

(Page 6817 follows)

MR. CAMPBELL: Under the terms of Confederation which are recorded in the British North America Act the Dominion Government of Canada shall assume and defray all the charges of the following services namely, the establishment of continued communication for mails and passengers between the province and the mainland, thus connecting us with the mainland.

THE CHAIRMAN: Well, admitting all that, perhaps it would be the duty of the Dominion Government to build a highway if there is not one there.

MR. CAMPBELL: The Dominion Government built the pier and built the highway on the pier.

MR. CHAIRMAN: We are talking about a roadway in this Agreement. Do you admit it is a private roadway?

MR. CAMPBELL: I am in this position, Mr. O'Donnell did not show me this Agreement before.

THE CHAIRMAN: You did not know of the existence of it?

MR. CAMPBELL: I know of the exhibit that is on the record. Mr. O'Donnell said he presumed the bus company is guided by its advisors. In Charlottetown we put on record an exhibit of the counsel of the bus company which states something to this effect, that I advised the bus people not to pay. I went with them on the bus. I went with the driver onto the pier. I was stopped by a Mounted policeman. I told the driver to proceed until the policeman used physical force, whereupon they signed this agreement which Mr. O'Donnell now produces.

THE CHAIRMAN: I am aware of that evidence. The point is we have one part, we have the railways saying this is our own highway. These conditions may be

agreed to by both parties. Then we have Mr. Rogers saying it is King's Highway. Which is it?

MR. ROGERS: It is a King's Highway.

MR. CAMPBELL: My legal position is this -- on the car ferry - I submit this as a legal proposition, on the car ferry, for passengers crossing to and from you buy a ticket. You turn that ticket in at the purser's office and he shows you what is called a landing check which you surrender on leaving the car ferry. I have always thought I would like to test it and have somebody without a landing check, offer to leave the ferry under my instructions - offer to leave until somebody physically obstructed them. Then I would like to issue a writ. I believe you cannot charge any passenger any fee for crossing on that car ferry even though it is 65¢ return. Mails and passengers are in exactly the same position as anyone crossing the bridge from Ottawa to Hull. If the Canadian National Railways put a road there and says this is my road, and if they prevent you from coming on that ferry they are committing a trespass, and if they stop you from going on that road it is an assault.

THE CHAIRMAN: Is there any other road available?

MR. CAMPBELL: There is no other road available. There is one at Wood's Island but none other at that point.

THE CHAIRMAN: The only point is whether the Dominion authorities are carrying out their obligations under the terms of entry of Prince Edward Island into Confederation. There is that difficulty. If they have not provided this means of entry and exit then there is a real question. Mr. O'Donnell

says that while there is a road and it is not public it belongs to the railway and they can make people pay for the right to use it. They have done that.

MR. CAMPBELL: If they can put a road there and say it is not public, they can put a gate there and say that beyond that gate you cannot go.

THE CHAIRMAN: I understand the question now.

MR. CAMPBELL: There is a more difficult question which your Lordship raised as to freight. That is a different question.

THE CHAIRMAN: I understand. That is part of transportation.

MR. O'DONNELL: The point here is if the bus company had chosen to pay the tariff fee for crossing on the ferry they would be entitled to go over the road for nothing. They did not chose to do that. They chose to use the ferry drop people and go back. The owner said we will let you do it at a fee of so much. They have done that since 1939.

THE CHAIRMAN: What about taxes?

MR. CAMPBELL: I do not know about that. If it is a matter of competition, if the buses are taking passengers from the railway why do they not charge every truck? It is the same principle.

THE CHAIRMAN: The only question as I see it is whether there is something lacking in performance by the Dominion authorities. Whether they are obligated to furnish the facilities for mail and passengers.

MR. O'DONNELL: Page 38 of the brief under the heading "Our Dependence on Imports" the second paragraph says:

"No other province in Canada will feel the impact of increased freight rates to the same extent."

I presume that is Prince Edward Island. You list a number of items, feed, limestone, fertilizer, etc. As far as feed is concerned you enjoy the benefit of a feed subsidy under P.C. 3803 July 26th 1949.

A. That is right.

MR. O'DONNELL: A copy of which I file as Exhibit No. 100. EXHIBIT No.100: Copy of P.C.3803

THE CHAIRMAN: I thought we had that?

Q. You enjoy the benefit of that whereby the farmer in Prince Edward Island pays the same freight as the farmer in Ontario on the feed?

A. That is right

Q. Next item concerns ground limestone. The farmer enjoys the same rate on that in Prince Edward Island?

A. Yes.

Q. Is that used for fertilizer?

A. I have not my marked book, what line?

MR. O'DONNELL: Thanks very much.

Q. On the ground limestone you enjoy 25% reduction in the rate?

A. I do not know, you will have to ask Mr. Matheson.

Q. C.T.C.E.3920 C.J.17/l. You know ground limestone comes from places down in Gaspe and Nouvelle in Quebec?

A. That is one of the sources.

Q. You also enjoy the benefit of the Maritime Freight Rates Act?

A. Due to the fact we are able to get the lime put in and it helps the soil and then the Canadian

National Railway gets the benefits of outward stuff produced. All of these things work out to the benefit of more than one.

Q. You have more benefit. You get your limestone in for 11¢ per 100 pounds for 361 miles from Nouvelle. Those superphosphates, those are all fertilizer elements, are they not?

A. Yes.

Q. You enjoy specially competitive rates on those articles do you not?

A. Mr. Matheson can give you the answer to that.

Q. I was pointing to the fact that you have those rights. Turn to page 46.

DR. INNIS: On page 39 I am not sure whether you gave any evidence as to the movement of empty cars. This Excess Imports means empty cars?

A. A number of loaded cars.

MR. O'DONNELL: If they were not empty they would show the same both ways. I take it that is empties.

A. Perhaps I could file this evidence. That is the number of empty cars brought over in 1948. The number of empties brought over should be in the same proportion through number of empty cars going out. This table in brief is solely loaded cars. In addition to loaded cars in 1948 there were 12,123 empties went back. This refers to loaded cars.

EXHIBIT No. 101: Car ferry performance.

CHAIRMAN: I have that as Exhibit 99. Am I wrong?

MR. COVERT: Exhibit 100 is Order-In-Council July 26th. Exhibit 98 and 99 are two agreements between the Canadian National Railway Company.

Exhibit 99 is Island Water Transportation Limited and 98 is S.M.T. Eastern Limited.

MR. CHAIRMAN: 101 is what?

A. Car ferry performance 1948, C.N.R. Atlantic Region, Island Division. They are given under two general headings Cape Tormentine to Borden and Borden to Cape Tormentine month by month with certain data at the bottom.

DR. INNIS: Was that a normal sort of year?

A. Yes that was a normal year. That will answer your question as to empties.

MR. O'DONNELL: Would you be good enough to turn to page 46 of the brief. You say there in your brief "The class rates in effect from Prince Edward Island points to U. S. destinations are also generally on a higher basis than from Ontario points for corresponding mileages."

You give an example there of Charlottetown versus Severn, Ontario, to Boston, Mass., and you say the short line mileage is 685. Did you work that out?

A. I will refer that one to Mr. Matheson.

Q. In connection with the same page in reference to the zone case and the matter of different zones in Prince Edward Island; the situation is still what it was the whole matter is before the Board of Transport Commissioners. As a matter of record and for your own knowledge in Volume 20 page 3691 - 3692, Mr. Matheson's letter is referred to asking that the matter be postponed. It was put in the record.

Page 52 of your brief you set up a letter from Mr. Brehaut, and this statement made to the P.E.I. fishermen, they do not receive returns for raw fish

in proportion to prices received by fisherman in Nova Scotia or New Brunswick where salt can be imported by water, and outward shipments in the same manner. There are special salt rates published in fact. Those have reference to the fact that salt from Malagash was 10¢ before the 20% came into effect and immediately after the 20% increase it was 14¢.

A. We could not understand why it was 10¢ before the 21% increase and 14¢ afterwards. We will be glad to have an explanation of that.

Q. Special salt rates are published for the benefit of Prince Edward Island fishermen the same as other parts of the Maritimes?

A. I would not say they were special rates. I would say the rate on that commodity is such and such.

Q. And lower than such and such. It is a special reduced rate.

A. It will be lower than a carload of crockery ware, naturally, there is nothing special about it.

Q. Are there not some special stop-over privileges for the processing of fish?

A. I think if you refer to the evidence in July at Charlottetown somebody made the statement that that was not going to be pressed.

THE CHAIRMAN: A statement to what effect?

A. That the stop-over privileges for loading fish on Prince Edward Island, that was done away with, you see, and we were not going to press to have it back.

MR. O'DONNELL: We are talking about two different things. What I am pointing to now is a statement there concerning the processing of salted fish and the fact that no stop-over privilege is accorded for the processing of salted fish?

A. Yes, that was what I was talking about.

Q. Is it not to your knowledge that no one is allowed a stop-over privilege for salted fish?

A. During the war, as I understand it, salted fish could be shipped from Prince Edward/I think to Amherst Island and held over there and went through a little process and then went to Dartmouth for overseas shipment.

Q. I hope you are not confused with canned fish?

A. No, salted fish.

Q. Do you know of anyone who was allowed a stop-over privilege with respect to salted fish?

A. Not now. We are not going to press that.

. . . At 4:35 p.m. the Commission adjourned to meet at 10:30 a.m. Wednesday, November 2nd, 1949.

ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

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ROYAL COMMISSION ON TRANSPORTATION

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ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, ONTARIO,
Wednesday, November 2, 1949

HON. W. F. A. TURGEON, K.C., LL.D. Chairman
HAROLD ADAMS INNIS Commissioner
HENRY FORBES ANGUS Commissioner

G. R. Hunter
Secretary P. L. Belcourt,
Asst. Secretary

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J. J. Frawley, K.C.)	Province of Alberta
C. W. Brazier)	Province of British Columbia
F. D. Smith, K.C.)	Province of Nova Scotia
		Transportation Commission of
		the Maritime Board of Trade
J. Paul Barry)	Province of New Brunswick
J.O.C. Campbell, K.C.)	Province of Prince Edward
		Island
P. J. Lewis, K.C.)	Province of Newfoundland
F. R. Hume)	Canadian Automotive
M. L. Rapoport)	Transportation Association
S. Bruce Smith, K.C.)	Trans-Canada Highway System
		Association

Wednesday, November 2, 1949.

MORNING SESSION

---The Commission met at 10.30 a.m.

THE CHAIRMAN: Very well, Mr. Covert.

MR. COVERT: I want first to make an announcement with respect to exhibits. The Commission's Secretary requires that five copies of all exhibits be filed with the Secretary for the use of the Commission and usually there are several counsel who also require a copy. Now I think railway counsel almost invariably want copies of those exhibits. We are going to have to ask all persons filing exhibits to file at least five copies with the secretary, and it would also be probably just as well if they filed extra copies with the railway counsel. I want to warn people, in advance that that many copies at least will be required.

COMMISSIONER INNIS: Would it not be better to have them read into the record. It would be more convenient and save the trouble of looking them up?

MR. COVERT: I think that could be done in the case of letters.

MR. FRAWLEY: With respect to those filed yesterday I do not think that I can comply with the number of copies required. Would it be possible to have the mimeograph staff make copies of those exhibits, because otherwise we are going to be short.

MR. COVERT: There are copies being made of those filed yesterday. Mr. J. O. C. Campbell, K.C., representing the Province of Prince Edward Island wishes to make a statement this morning.

MR. CAMPBELL: I noticed yesterday that Your Lordship was interested in the legal aspect of the interpretation of the British North America Act. I would just like to take one moment to give Your Lordship two citations. One is the well known case in which the Privy Council decided that the Parliament of Canada would be the last resort - to make the Supreme Court of Canada the Court of final resort.

THE CHAIRMAN: What was the case?

MR. CAMPBELL: The Attorney General for Ontario against the Attorney General for Canada, 1947, Appeal Cases, page 127.

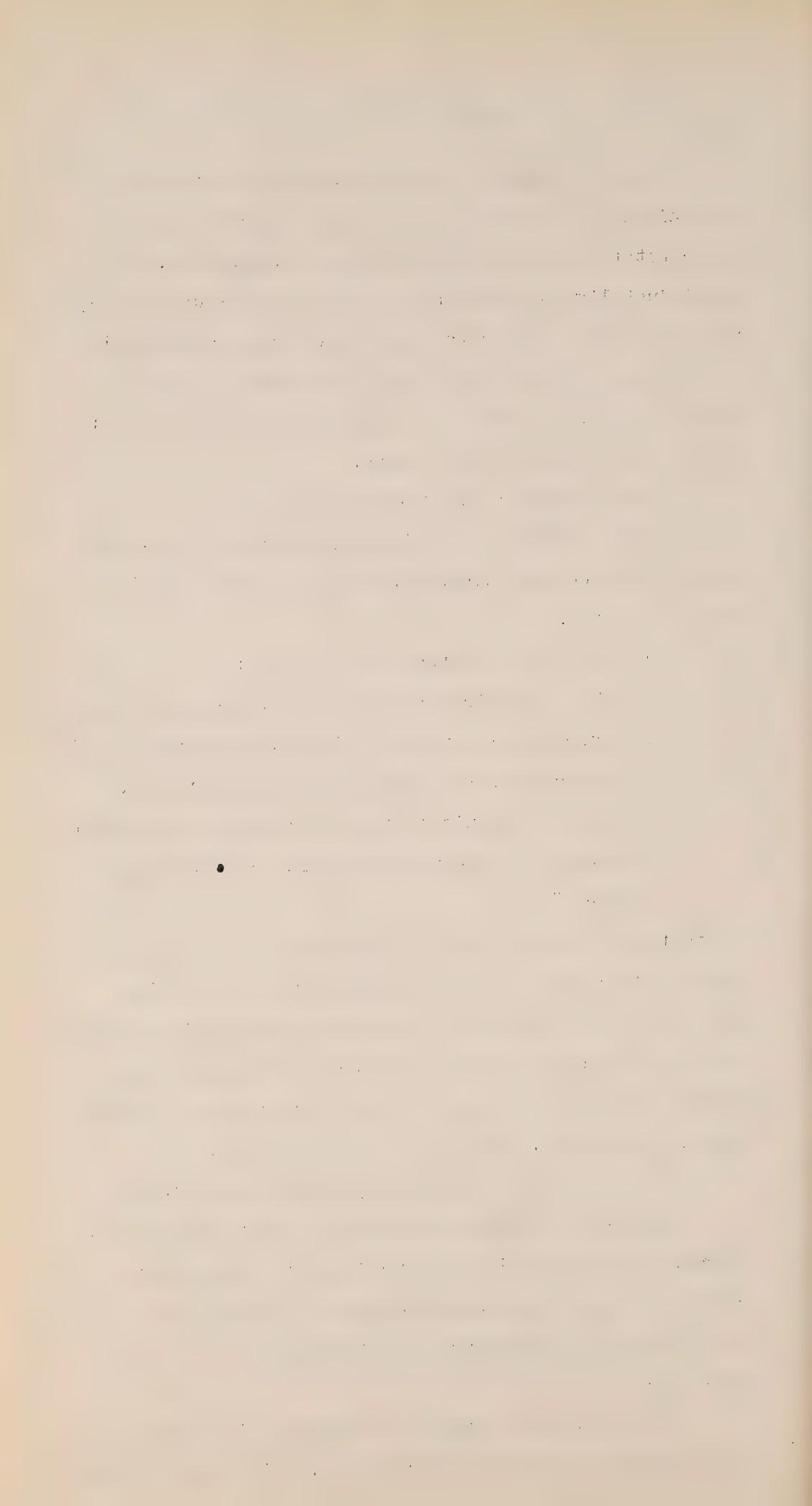
I will read a sentence at page 154:

"It is, as their Lordships think, irrelevant that the question is one that might have seemed unreal of the date of the British North America Act, To such an organic statute a flexible interpretation must be given which changing circumstances require."

And that was also the view of the Canadian Parliament shortly after the time of Confederation. I refer the Commission to a report of a Committee of the Privy Council of Canada, approved by His Excellency in Council, 17th November, 1885; to be found in Sessional papers for 1886, Sessional paper No. 76, page 24 of that paper:

"It is proper to assume that both contracting parties to the Union understood that the Dominion Government would provide and maintain the means which science and experience might determine, as the best and most efficient for the end in view within the range of possibility."

That was with respect to communication between Prince Edward Island and the mainland. With your Lordship's



permission I will repeat that:

"It is proper to assume that both contracting parties to the Union understood that the Dominion Government would provide and maintain the means which science and experience might determine, as the best and most efficient for the end in view within the range of possibility."

D. GRAHAM ROGERS RECALLED cross examined by Mr. O'Donnell.

Q. At page 52 of the brief in the remarks of Mr. Brehaut, there is reference to canned fish and to the stop-over privileges which was referred to; I think you made some remark yesterday about that.

A. I did, yes. If my memory serves me right I said it was not^a/very important matter as far as we were concerned today.

Q. You know that in the interval since the Commission sat in Charlottetown the Fisheries Council of Canada has written the Board of Transport Commissioners advising them that they were prepared to withdraw their application for that privilege. For the information of the Commission I might just read the letter written on August 23rd 1949 by Mr. Clive Planta, Manager, Fisheries Council of Canada, addressed to Mr. P. F. Baillargeon:-

"Dear Mr. Baillargeon:

File 8641.85

This is to advise you that following the fullest co-operation from the Canadian National Railway officials and in conference with the industry in Prince Edward Island and other Maritime centres the Railway agreed to reinstate the stop-off arrangement at revised rates. On the advice of the Railway

"we made an investigation to determine the extent to which this stop-over arrangement would be used if reinstated. The conclusion is stated in the attached copy of a letter from this office to Mr. F.C.Broad, Division Freight Agent, Freight Traffic Department, Canadian National Railways, on August 3.

In view of the fact that the stop-over arrangement would not be used to any appreciable degree this year owing to a small pack of canned fish for export markets it has been agreed that the arrangement for stop-over be held in abeyance for the time being.

Best wishes.

Yours very truly,

Clive Planta,

Manager."

The letter to which Mr. Planta refers and which is addressed to Mr. Broad, reads as follows:

August 3, 1949.

"Mr. F. C. Broad,
Division Freight Agent,
Freight Traffic Department,
Canadian National Railways,
Union Station Building,
Ottawa, Ont.

Dear Mr. Broad: File: E.1425-2

I am now in a position to advise you that the fish canneries which are members of the Prince Edward Island Fisheries Federation, have reviewed their situation in regard to the application for reinstatement of the stop-over arrangement, and have concluded that the relatively small production this year that will be moving in a manner to take full advantage of the stop-over arrangement offered makes it impossible

"for them to give assurance that the privilege would be used sufficiently to warrant its reinstatement at the present time.

The industry, therefore, requests me to ask that you defer reinstatement of this privilege until circumstances in the Maritime Provinces regarding the movement of canned fish for export, again assumes a proportion which would ensure full utilization of the stop-over arrangement and at which time they conclude you would be prepared to implement the arrangement on short notice.

Best wishes,

Yours very truly,

(Sgd.) Clive Planta,

Manager"

THE CHAIRMAN: Would you tell me what is this stop-over privilege?

MR. O'DONNELL: The stop-over privilege was set out in the Province's brief at page 52, Mr. Brehaut wrote complaining about the stop-over privilege on canned fish and the stop-over privilege on processing salt fish, and also saying that the Prince Edward Island fishermen were at a disadvantage by reason of the fact that this concession was no longer allowed.

THE CHAIRMAN: Yes, but could you tell me what this stop-over privilege is?

MR. O'DONNELL: It is set out in page 52, the whole details of it.

THE CHAIRMAN: He is talking about canned fish: "In other words, cars of canned fish could be started at rail points adjacent to fishing commodities, and could be brought into separate points where the goods could be graded and prepared for export shipment and

"then continue to seaboard with a through rate plus a stop-over privilege and out-of-line haul charge."

That does not define to me what the stop-over privilege is.

MR. O'DONNELL: If you will pick it up a few lines before that:

"A matter of importance to the fishing industry is the fact that export shippers no longer are allowed stop-over privilege by the Canadian National Railways as had been done during the War years when canned fish was moved to various storages in the Maritimes for export."

THE CHAIRMAN: Well what is this stop-over privilege?

MR. O'DONNELL: I have not the details of that. Perhaps Mr. Rogers could tell your lordship. Apparently they were allowed to stop in transit for storage. What the benefit is, I am not in a position to say; but they could get a through rate notwithstanding stopping.

THE CHAIRMAN: Does that mean stopping over somewhere without charge?

MR. O'DONNELL: Apparently they were allowed a through rate despite stopping at certain points.

THE CHAIRMAN: If anything turns up on it we had better know about it.

MR. ROGERS: During the war Prince Edward Island produced a large amount of canned fish and sold it to U.N.N.R.A., and most of that canned fish was shipped finally to Halifax. On occasion it was found necessary to store some canned fish at Amherst. There were two reasons for that, one, at times some of the seaboard and storage places were crowded; another reason was that it was found inconvenient for repacking the canned fish

the results from individual studies
are, however, not yet available.

RESULTS OF THE STUDY OF THE MAMMALIAN

The results of the study of the mammalian fauna of the Lake Superior basin are presented in the following sections. The first section deals with the mammals of the Lake Superior basin, the second with the mammals of the Lake Michigan basin, and the third with the mammals of the Lake Huron basin. The fourth section deals with the mammals of the Great Lakes basin as a whole. The fifth section deals with the mammals of the Great Lakes basin as a whole.

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in boxes for export. That was the stop-over privilege. The privilege was they were granted a through rate from Souris to Halifax just as if they had gone right on; but on account of it being for U.N.N.R.A. they were allowed to unload at Amherst, re-load and ship on to the point of export.

THE CHAIRMAN: Instead of paying two local rates they paid one through rate.

MR. O'DONNELL: U.N.N.R.A. stopped buying and the demand for that kind of fish was not there.

THE CHAIRMAN: I understood they were willing to forego/stop-over privilege ..

MR. O'DONNELL: They advised the Board of Transport Commissioners to that effect. As a matter of fact this was something put in during the war and when U.N.N.R.A. were no longer interested in buying that fish these people were no longer interested in the rate. In their letter they set that out and it was put in the record.

MR. ROGERS: I might say, your lordship, this letter was written by Mr. Brehaut of the Canadian Federation. They expected that the purchasing of this fish might continue for a year or so but U.N.N.R.A. stopped the purchasing and it was no longer necessary to press the case.

MR. O'DONNELL: At pages 74, 75 of your brief you set out a series of rates -- Borden - Summerside - Charlottetown. Did that rate vary one cent? You have here 17¢, 18¢ and 19¢. The variations are due to the difference in the distance between the different points. They are all based on mileage? They vary in the mileage?

A. They vary in the mileages, yes, but I think

the zoning question enters into that question also.
That is part of it.

Q. Actually the mileage did vary?

A. Yes, we are not satisfied with that.

(page 6842 follows)

Q. Well, that may be, but all I am asking you is, the difference is not accounted for by the difference in the mileage, and I think you agree with that?

A. But I would like to call your attention, Mr. O'Donnell, to the line in the middle of the second paragraph, where it says:

"It must be noted that the 18c rates and the 19c rates all apply to areas in the Outer Zone sections referred to above."

I would like to have that on the record.

Q. Yes, and they are different mileages. In any event, that satisfies me, Mr. Rogers. Will you please turn now to page 71? You set out there certain evidence which was given by Mr. L. J. Knowles; that evidence as given by Mr. Knowles was given before the Abegweit was put into operation, was it not?

A. Yes, sir.

Q. And at that time -- that was in 1945, I think, was it not, Mr. Rogers?

A. Yes.

Q. And at that time the ferry service was being taken care of by the SS P.E.I.?

A. That is right; but I wish to call your attention to the fact that since the Abegweit arrived the situation is even worse owing to the growth of traffic, and we have figures here showing as high as 169 cars waiting.

Q. I just asked you if Mr. Knowles' evidence was given in 1945, and you said yes.

MR. CAMPBELL: Please let the witness answer.

MR. O'DONNELL: Well, the witness answered my question, as far as I am concerned, unless the Chairman otherwise rules. I am trying to shorten it up, Mr. Chairman. I simply asked if that evidence was not given

in 1945, and he said yes.

MR. CAMPBELL: Be fair to the witness.

Mr. O'DONNELL: I am fair to everybody.

THE CHAIRMAN: If you wish, Mr. Campbell, you may ask Mr. Rogers about this after Mr. O'Donnell is through.

MR. O'DONNELL: Certainly; I haven't any objection to that.

Q. Would you be good enough, Mr. Rogers, to turn to page 59?

I haven't any objection to Mr. Rogers making explanations, Mr. Chairman; I think I have been cooperative in that respect.

There is a statement there, Mr. Rogers, at the top of page 59, the last sentence in the opening paragraph, where you say:

"Empty freight, baggage, passenger and express are ferried back and forth free of charge."

Now, I take it that you know -- you are not a railway man, are you? Have you ever worked on a railway or had anything to do with rate making or with ---

A. No, unfortunately I never worked for a railway.

Q. I just wondered whether you knew that the revenue per freight ton-mile earned covers not only the hauling of the freight but also the supplying of the freight car and the hauling of the car itself, including the empty car mileage to whatever extent may be necessary; you know that?

A. In other words, your freight charges cover everything, all your overhead?

Q. Yes.

A. All your overhead?

Q. The freight charges there take care of any

return trip which may have to be made empty; or, to put it in another way, that the empty car return cost is included in the computation of the rail rate in the first instance, possibly; it is all in there somewhere.

A. Yes -- well, I am not clear on your question.

THE CHAIRMAN: That is what the submission says.

MR. O'DONNELL: It says "are ferried back and forth free of charge."

THE CHAIRMAN:

"The charge therefore for a freight car loaded with 20 tons of freight would be \$2.00. Empty freight, baggage, passenger and express are ferried back and forth free of charge."

MR. O'DONNELL: My point, my lord, is that the charge for the empty returns is taken into the computation which in the first instance is fixed for the trip. The revenue per freight ton-mile earned covers not only hauling the car and supplying the car and the load in the car, but to the extent that may be necessary to make a return trip, that is taken into consideration too.

Q. Now, you know, Mr. Rogers, that the average rate per revenue ton-mile in the Atlantic Region is allowed to the car ferry as being the charge for the use of the ferry?

A. You mean this one cent per ton-mile?

Q. 1.074 cents, it says here.

A. Yes.

Q. Per revenue ton-mile; you know that?

A. Well, how would you figure 60 tons at that?

Q. I am asking you if you know that that is the fact or not.

A. No, I did not know that the car ferry was credited with that amount. It is very small.

Q. That being the fact, then I am just suggesting to you that to say "ferried back and forth free of charge" is not quite the situation.

A. Yes, but you are talking about loaded cars.

Q. I am talking about the charge which is made for the car when loaded, and that includes the hauling of the car, the supplying of the car, and to the extent that it may be necessary to have a return trip empty, all that is computed and taken into consideration in the original rate which is exacted for the trip; you don't know that?

A. Well, I am not clear on your question, Mr. O'Donnell.

Q. Well, if you are not clear that is quite all right. You do not know that fact?

A. Have I the privilege of trying to find out what you are trying to ask? As I understand it, you said that the car ferry was credited with 1.7 cents revenue freight; is that right?

Q. 1.074 cents.

A. That is revenue freight. According to the Dominion Bureau of Statistics your figures are shown there as revenue freight costs. I haven't got the book here; it is in my box that has not arrived; but I am trying to answer your question as intelligently as I can. I am trying to get at the difference between the loaded cars and the empty cars, when your statement says 1.7 cents revenue freight per mile.

Q. 1.074 cents.

A. Well, if you say 1.7 cents revenue freight per mile, that does not include the empty cars.

Q. You don't know anything about what it includes, then; leave it at that.

A. But your statement is very confusing, Mr. O'Donnell.

Q. Well, we will have it straightened out later by someone who knows, then; leave it at that.

A. Well, I hope someone who knows will ask the question properly.

THE CHAIRMAN: In any case, you seem both to be agreed that the shipper does not pay for moving empty cars around; isn't that right? They say:

"Empty freight, baggage, passenger and express are ferried back and forth free of charge", and you say that is because the charge is all lumped together in the freight tariff; is that right?

MR. O'DONNELL: The carrier in the first instance makes the rate on the basis that he may have to carry the car back empty, and that is all taken into consideration in the original remuneration allowed. There is nothing very confusing about that. It is the same as any shipment on any railroad, as I understand it.

THE CHAIRMAN: Well, I did not understand that there was anything peculiar meant. They simply say, "We pay so much, and no charge is made for the weight of the car itself."

MR. O'DONNELL: I thought the suggestion, my lord, was that the C.N.R. was hauling its cars back on the ferry free of charge, that no charge was being made by the C.N.R. for that. That was the inference I took from it, and I think the context shows that that is the inference.

THE CHAIRMAN: They say:

"The weight is taken from the Bill of Lading and no charge is made for the weight of the car itself. The charge therefore for a freight car loaded with 20 tons of freight would be \$2.00."

Does that mean the charge of the ferry to the railway company?

A. That is what the railway company, sir, allows the ferry. That is unloaded freight cars. That is the point I am trying to get clear, because in our statement we include baggage cars, mail cars, express cars and empties.

Q. What is your point there? Your point is that the railway company has not to pay for the carriage of these vehicles when they are empty?

A. That is right, yes.

Q. Do you then, therefore, say that they are charging the shipper too much, since they get this carriage of their own goods free?

A. That is right, sir; they are charging shippers by trucks and otherwise too much rates.

COMMISSIONER ANGUS: Q. Is there a suggestion that the empty trucks ought not to be charged?

A. I would prefer not to make a statement on that, sir, at the moment, although those, as Mr. Campbell I think explained this morning, according to the terms of Confederation, should be free.

THE CHAIRMAN: Q. That is, a truck should be allowed to cross free?

A. Yes; I mean, that would be the ---

Q. The same as the C.N.R. cars?

A. Exactly, the same as the C.N.R. cars.

Q. And I see empty trucks are charged a flat rate of \$10.

A. That has been changed, sir, since July 1st, 1948.

Q. How much is it now?

A. If they go over empty now it is \$4.50 and up, depending on their length.

Q. What is that?

A. \$4.50 and up, depending on their length.

Q. On their length?

A. Yes, charged on their length.

Q. An initial charge of \$4.50?

A. Yes.

MR. O'DONNELL: All I was trying to refute, Mr. Chairman, was the inference that the Canadian National's cars are being carried back and forth free of charge. I simply say that is not the fact, and that the ferry is given the proper allowance for that on a basis which Mr. Rogers does not know about.

THE CHAIRMAN: The ferry is given the proper allowance out of your freight charge?

MR. O'DONNELL: Well, the arrangement is that the average rate per revenue ton-mile in the Atlantic Region is allowed to the car ferry for carrying the cars across on the ferry. Last year it was 1.074 cents, and the mileage is figured as being 10.2 miles.

THE CHAIRMAN: The ferry does not carry your empties free?

MR. O'DONNELL: No; that is the whole point, and that was the inference I was endeavouring to refute.

Q. Would you please turn to page 58, Mr. Rogers?

A. I would like to put on the record that we differ with that statement.

Q. I understand that, and that is why I asked the question, because your brief says that you differ. However, would you please turn to page 58, in the middle of the page, where you are talking of telegraphs. You say there, speaking of telegraph communication, in the middle of the sentence beginning "The latter service was instituted in 1913" -- do you see that paragraph, Mr. Rogers?

A. Yes.

Q. It then goes on:

"... no tolls for telegram and telephone messages are charged. We were considered as adjoining the mainland and no charge was made for the 9 miles across the Strait."

Now, where do you get authority for that statement?

A. Mr. Campbell will take that statement up.

Q. You do not know anything about the facts concerning that?

A. I refuse to admit whether I know anything or not.

Q. Well, that is quite all right. In any event, you can point to no authority which says that no charge is made for the nine miles across the Strait?

A. Would you say that again?

Q. You can point to nothing which will support the statement that no charge is made for the nine miles across the Strait?

A. Except that it is a fact.

Q. Well, based on what?

A. Based on your own statement. You are saying that you pay for the freight going over.

Q. We have left the freight; I am talking about telegraphs.

A. Well, you just referred back to freight. Stick to the one point, and it would make it much easier for me.

Q. Well, we will shorten it very much if you will just answer the very few questions I have for you. I have asked if you have anything in support of the statement in the brief at page 59, that no charge was made for the nine miles across the Strait in so far as telegraphs are concerned?

A. That is page 58?

Q. Yes, that is right.

A. You just said 59. Mr. Campbell will explain that, sir.

THE CHAIRMAN: Mr. Rogers, if you cannot answer a question, would you please just say so?

THE WITNESS: Yes, sir.

MR. O'DONNELL: For the information of the Board, my lord, I might say that my understanding is that the tariff which applies to telegraph charges on the Island of Prince Edward and from the Island to the mainland does not allow for any nine miles free. The rate on the Island, any point on the Island, is 30 cents for ten words, and from the Island to New Brunswick or to Nova Scotia is 35 cents. There is no free nine miles, on my information.

MR. CAMPBELL: Since my learned friend has made that statement by counsel, I would like to make this statement: that is true in connection with telegrams, because the whole thing is a zone; that is, you can send a telegram from Tignish to Moncton for the same price as you can send a telegram from Summerside to Moncton or from Charlottetown to Moncton. As to telegrams, we must remember that all that is in the hands of my learned friend's company, so that no accounting can be had for just what they may do with respect to this nine miles across the Strait; but with respect to the telephone -- and the telephone is not controlled by the C.N.R. -- I make this statement, which I ascertained from the Assistant Manager, Mr. Guest, and from the Manager, Mr. Walter Grant, who has been for some thirty years the Manager down there in Prince Edward Island -- he tells me this, and I ascertained it before I came up here -- I can furnish an affidavit of it from Mr. Grant if

necessary -- it is exactly as I stated to the Commission when we were at Charlottetown. If you telephone to any point on the mainland, if you telephone from Charlottetown to Montreal, the telephone rate is taken from Montreal to Cape Tormentine, it skips the nine miles in between, and starts again from Borden to Charlottetown. Now, that is the fact, and the reason for it is this, as explained to me by Mr. Grant -- and if my friend desires affidavit evidence I can produce it; I would not like to bring Mr. Grant here just for that one purpose, but my friend can check it -- the reason for it is that the cable across the Strait which is used by both my friend's railway and telegraphs and by the telephone company, is the property, just as is the car ferry, of the Dominion Government. It belongs to the Department of Transport and is maintained by the Department of Transport. For instance, if a break occurs in that cable it costs nothing to the telegraph or to the telephone to have it repaired, nor does the telegraph or the telephone pay to the Government any rental or any consideration otherwise for the use of that cable. Consequently, the saving effected by the cable being in existence there is passed on to the public in the case of the telephone service. If my friend's railway does not choose to pass that saving on to the public, that is no concern of ours.

THE CHAIRMAN: That is, you do not get the same saving in the telegraph service as in the telephone?

MR. CAMPBELL: You do not get the same saving in the telegraph service, because they have this zone rate or something, but I inquired of the telegraph man in Charlottetown, the C.N. Telegraph, and he tells me it is the same rate from Tignish to Moncton, from

Summerside to Moncton, or from Charlottetown to Moncton.

THE CHAIRMAN: The question is, you see, Mr. Campbell, all these things are being enumerated under a heading which talks about the Confederation Pact and the obligation of the Dominion Government to do certain things -- that is, to assume and defray all the charges efficient for the following services:/steam services for the convenience of mails and passengers to be established and maintained between the Island and the mainland of the Dominion, winter and summer, thus placing the Island in continuous communication with the Intercolonial Railway and the railway system of Canada. Then do you think there is some infringement of that agreement when you are made to pay for the extra distance for telegraphs? Is that your point?

MR. CAMPBELL: No, my lord. In the same section of the B.N.A. Act, the next paragraph, it mentions the maintenance of telegraphic communication between the Island and the mainland of the Dominion.

THE CHAIRMAN: Yes, but that has nothing to do with the charges.

MR. O'DONNELL: That is the whole point.

THE CHAIRMAN: That is to say, the set-up is to be there, the machinery is to be there. You are not complaining of any violation of that; you have the telegraph service.

MR. CAMPBELL: Oh, no, my lord. The point is that the Dominion Government has recognized with respect to the telephone, the telegraphic communication, that "maintain" means maintain at no cost to the people of Prince Edward Island.

THE CHAIRMAN: At no cost?

MR. CAMPBELL: At no cost. That is what they do do.

THE CHAIRMAN: They assume and defray all the charges for the following services.

MR. CAMPBELL: That is right; they assume and defray all the charges with respect to the maintenance of telegraphic communication; they do that.

THE CHAIRMAN: Do you argue from that, as to these nine or ten miles of distance, if anything is charged for them, the charge should be paid by the Dominion Government?

MR. CAMPBELL: By the Dominion Government.

THE CHAIRMAN: Not by the man who sends a telegram?

MR. CAMPBELL: That is right. Our argument is that, since the Dominion Government recognizes that they are to maintain it and to maintain it free, with respect to one paragraph, where those same words are used in the preceding paragraph, "established and maintained" means maintained free.

THE CHAIRMAN: Then incidentally you say that the Canadian National Railways ought not to charge for the extra mileage on telegraphs, since the telephone company does not charge it.

MR. CAMPBELL: Well, of course, my lord, it may be a little difficult for them. Whereas Canadian National Telegraphs, for instance, permits you to send a telegram from Charlottetown to Moncton, which is so many miles, at the same rate as a telegram from Borden to Moncton, which is at least 35 miles less, it would be perhaps splitting hairs to say, "Well, now, you should deduct nine miles," because they do it by some zoning.

THE CHAIRMAN: Well, don't these zoning arrangements exist all over the country? Isn't that right, Mr. O'Donnell?

MR. CAMPBELL: I beg your pardon, my lord?

THE CHAIRMAN: I say these zones are drawn in all parts of Canada?

MR. CAMPBELL: I dare say that is true in relation to telegrams.

THE CHAIRMAN: Otherwise you would have to have a different rate between every two stations. But I think the real point that you are making there is that any extra charge that the public are put to in order to get across or telegraph across or telephone across from the Island to the mainland ought to be defrayed by the Government of Canada.

MR. CAMPBELL: By the Government of Canada.

THE CHAIRMAN: All right, then, we understand.

COMMISSIONER INNIS: Is there any way of comparing the rates on a telephone call from Charlottetown to Moncton with a telegram from Charlottetown to Moncton? Of course, they are two different things.

MR. CAMPBELL: I believe it is only 30 cents from pretty nearly any point in Prince Edward Island to Moncton.

COMMISSIONER INNIS: That is the telephone?

MR. CAMPBELL: Telegram. The telephone varies greatly. For instance, there is 15 cents difference between Summerside and Moncton and Charlottetown and Moncton. The telephone is strictly on a mileage basis.

COMMISSIONER INNIS: You do not know what the minimum charge would be from Charlottetown to Moncton?

MR. CAMPBELL: Charlottetown to Moncton I think is 75 cents. I think it is 60 cents from Summerside to Moncton.

THE CHAIRMAN: Very well, Mr. O'Donnell.

MR. O'DONNELL: I would just like to draw

attention to the fact, my lord, that I said nothing whatever about telephones. I was merely interested in the suggestion that the telegraph situation was as set out at page 58 of the brief.

MR. CAMPBELL: Well, of course, in answer to that, my lord, your lordship will realize that telephones were not invented at the time of Confederation. Telegraphy means telephones and telegrams.

THE CHAIRMAN: We heard something about the flexibility that should go into the interpretation.

MR. O'DONNELL: I would merely further say, my lord, that the telegraph rates are, as your lordship and the Board know, subject to the jurisdiction and control of the Board of Transport Commissioners, and that the rates that I referred to will be found in supplement No. 8 to C.T.C. No. 126 -- that is, the telegraph tariff, the latest one was issued on the 3rd of June, effective July 4th, 1949, and will be found in a tariff which is entitled Supplement No. 8 to C.T.C. No. 126, which cancels Supplement No. 3, and further says supplements Nos. 4 and 7 contain all changes.

Q. So that apart from what you have said, Mr. Rogers, you have no further information that you can give the Board in support of the statement that no charge was made for telegraphs for the nine miles across the Strait?

A. No, sir. Our counsel I think explained that.

Q. Now, at pages 84 and 85 of your brief, under the heading of "Transportation Problems within the Province", I would refer you to the closing sentence under that heading, which is on page 85. You say:

"The Government of Prince Edward Island submits that this province presents a logical area for a complete co-ordination of all transportation agencies,

and suggests that the Commission recommend the establishment of measures designed to ensure co-operative action by the various bodies concerned." Have you any scheme in mind or have you made any studies in connection with that submission which you would like to mention to the Commission?

A. Yes, we have made a fairly exhaustive study of that subject, and we have come to the conclusion that co-ordination of rail, air and bus services on Prince Edward Island would not only save money for the various services involved, particularly the railway, but would also serve our people in a manner which would be a tremendous improvement over the services that they now get on surface transportation. We have one train that comes in from the mainland per day except on Sundays -- that is, one Canadian National passenger train. We have no rail passenger service to and from the Island on Sundays. Our only service to and from the Island on Sundays is either by Maritime Central Airways or by a bus trip, and we have had considerable difficulty in the bus trips by being able to effect an arrangement whereby a bus could be carried over on the car ferry; the railway objected to that, but that is all right.

Q. We did not object to it; it paid a fee.

A. But within the Island itself, as was given out in the evidence in July, we have a number of trains operating, but they are mixed freight and passenger trains, and the service is very slow and it is very costly to the Canadian National Railways, so we feel that if those train services were cut out and the railway made an arrangement with the buses to handle that traffic, the railway would save a lot of money which it costs them at the present time to operate those

unwieldy trains -- I am not blaming the railways, but it is force of circumstances to a great extent -- and the people would be served in a much better way. For instance, passengers coming over to Prince Edward Island by rail from the mainland arrive in Charlottetown and Summerside, which are the two largest centres, at around six o'clock in the evening, and that is as far as they can get by rail. Now, we think that the railway and the bus company should get together and the bus company rearrange its schedule so that they could take those rail passengers on to both ends of the Island, and that would involve close co-operation and it would involve an interchangeability of tickets. There is a great deal of detail in connection with this matter, and I do not wish to take too much of the time of the Commission on it, but I will say this, that we are fully convinced from the study that we have made over a period of time that it will do two things: it will save money for the railway and it will serve our people much better than they have been served on surface transportation since the time of Confederation. Possibly Mr. O'Donnell may wish to ask me some questions.

(Page 6858 follows)

THE CHAIRMAN: Has the province changed its mind as to its attitude towards the Federal Government in the jurisdiction over buses? You have made some statement that they would be rather reluctant to hand over control.

A. That is a statement I made in July, sir?

Q. Yes.

A. No, the Provincial Government is not in favour of Dominion control of buses and trucks.

Q. You say that the Government of Prince Edward Island has taken up this proposition?

A. Yes, sir.

Q. Has the Government taken any steps to bring this about?

A. We have been in very close touch with the railway officials and with the bus officials but the arrangements have not come to the point where they are consummated. We are anxious that it should be consummated.

Q. What is standing in the way of the consummation?

A. That is a very difficult question, my lord.

Q. Well, since you want us to do something about it I think you should tell us what the trouble is.

A. The trouble is we cannot get a decision out of the railway.

MR. O'DONNELL: My information is the other way around, Mr. Rogers. The railways cannot get anything out of you.

THE CHAIRMAN: You see, all we recommended was that you get together.

A. We have been trying to get together. I do not just understand Mr. O'Donnell's statement that we have

not been co-operative. We have been working fairly closely on this to the best of our knowledge and we have not as yet received a statement from the railway that they would definitely consider it, and we think it is such an important matter that action on it should not be delayed too long because it is something that might lead to economies in railroad operation all over the country should it work out there. I think it is a very important question.

Q. Well, is the matter being held up until we do something about it?

MR. O'DONNELL: I don't know, my lord. I saw this in the brief and I thought I would ask our friend to elaborate a little if he could or would.

THE CHAIRMAN: It seems to me to be a very desirable matter to coordinate these services and handle passengers when they get off the train and take them on to their destinations by bus. That is a very fine thing but the thing is what do you want to do about it?

A. We would like you to (I might be exceeding what I should say, sir) but we would like you to recommend that such a scheme be put into effect.

Q. Probably I may say now that we would recommend that it would be desirable.

MR. O'DONNELL: Well, what proposal, Mr. Rogers, would you have concerning the coordination and control? Who would control the coordinated services? Have you any view on that?

A. In regard to the control of the coordinated services, we must first keep in mind that we have a Motor Carrier Board in Prince Edward Island which controls surface transportation, particularly the bus

operations and naturally a scheme of this kind would have to conform with their rules and regulations.

THE CHAIRMAN: Can anybody tell us at what stage these negotiations are now because there have been negotiations and the result has not yet been reached.

MR. O'DONNELL: Might I ask Mr. Rogers what proposals have been submitted by him, if any, to the railway?

MR. CAMPBELL: One was the interchangeability of tickets, for instance, so that people who did not take the train could take the bus. Mr. Vaughan turns that down in the exhibit which was filed yesterday. When you arrive at Moncton by a train, it is too late to connect with the train to Prince Edward Island but it would connect you with the bus service and our suggestion was that you could use your train ticket on the bus.

THE CHAIRMAN: Do the bus companies come under them?

MR. CAMPBELL: In the exhibit that was filed yesterday Mr. Vaughan refused to have that because he says that in his case the buses are competitors.

THE CHAIRMAN: It would make the railway company liable then for the passengers' safety to the end of this bus journey?

MR. CAMPBELL: No, he said in his exhibit that this would result in a reduction -- I have it here; "The other suggestion is that we should extend full interchangeability to ticket holders travelling beyond Moncton or Sackville, thus to give them the option of travelling either by train or by bus. This could only result in depriving the railway of passenger traffic

for the benefit of a competitor --". Well, what we say is that is not so because there is only one train going to Prince Edward Island in a day except in the summer months, whereas if you get into Moncton you are pretty nearly forced to fly. I don't know -- can you make a connection with a bus from the Ocean Limited?

A. You can now. That was effected about a month ago.

Q. You see, if you leave Montreal by train and desire to go to Charlottetown by train right through, you must leave Montreal at 11.30 in the morning and take the Maritime Express because that is the only train which makes a train connection to Charlottetown but what the people normally do who do not object to flying is that they leave Montreal on the Ocean Limited at 8 o'clock, they get into Moncton, and then they fly over to Prince Edward Island. That gets into Moncton too late to make any train connections to Prince Edward Island but it gets in in time to make a bus connection for those who either do not wish to pay for a plane or do not like flying. Now then, there is where we say, "Let us have interchangeability of tickets", and you have got that to some extent but only on Sundays.

A. Sunday nights only.

Q. On Sunday night the railway says, "All right, on Sunday night we have no train to the Island at all. Therefore, we will permit you to take the train and take the bus over on Sunday because we have no train on Sunday, but the other six days of the week because we furnish a train which leaves Montreal at 11.30 in the morning we won't let you stay in Montreal until 8 o'clock at night and finish your business because we

won't recognize your ticket there on the bus, the other six days of the week."

It is not a question of responsibility because they say: "On Sunday we are perfectly content when we run no train to have you go over by bus but on the other six days we have an early train which leaves Montreal in the morning and you must take that train. You cannot use the train ticket on the bus which leaves Moncton about 4 o'clock in the afternoon." Now, as to interchangeability of tickets, that would be the very first thing I would suggest when your lordship asks what we would like. That, to my mind, would be the simplest thing that the arrangement with the railway allowed on Sunday only and that we have only been able to secure since this Commission sat in Charlottetown at the regional hearing (we have only got that through as they say since July) but the railways have come that far. They have said, "On Sundays you can use the train ticket to go by bus." Now we would like that extended to the other six days. That is one fact -- I notice my friend smile, when I said you cannot stay in Montreal until the evening. That is quite a difference; it means quite a thing. If you are leaving Ottawa, for instance, you could get home from Ottawa in the one day.

THE CHAIRMAN: Do I understand the railway company said: "You can use our tickets on somebody else's buses"?

MR. O'DONNELL: No, the railway company says: "We will honour a railway ticket in our buses."

COMMISSIONER ANGUS: Would any saving accrue to the railway in that way?

A. Yes, very much. It certainly costs a lot more to operate these mixed freight and passenger trains than

to operate a bus and if the railway passengers got carried on these buses they could use their locomotive to haul only freight.

Q. Eliminate the train altogether?

A. Yes, those mixed trains. They are no good to anybody and just a source of expense.

THE CHAIRMAN: What about freight service?

A. The engines would be used for hauling freight alone, the same as on the mainland. On the mainland a train is either a freight train or a passenger train but over there on the Island all our trains except two are both; they are mixed trains.

COMMISSIONER INNIS: Do buses guarantee regular services winter and summer?

A. The buses give regular service except at odd times when there might be a snow storm.

MR. O'DONNELL: They are never late, are they?

A. Oh, occasionally.

MR. CAMPBELL: They have to wait for the car ferry.

COMMISSIONER ANGUS: You are not suggesting that passengers should not have the option of using a bus but that they would be obliged to do it?

A. Yes, and most of them would like to do that because they save so much time. For instance, on the one run of forty miles by rail in these mixed trains you are very fortunate to do it in three hours. The bus does it in one hour and thirty-five minutes. Now, I do not want Mr. O'Donnell to think I am blaming the railway unduly for that because you must understand they have a lot of l.c.l. freight they handle on those mixed trains and they are more or less obliged to do this. We must be fair on this.

MR. O'DONNELL: I imagine we would hear from you if we did not.

THE CHAIRMAN: Since the railway company has been in negotiation, it must mean that the railway thinks there is some way of bringing this about; otherwise, you would not be talking about it.

MR. O'DONNELL: Well, the question I want to ask Mr. Rogers is, if any fully co-ordinated scheme -- not bits and pieces such as taking railway tickets in lieu of bus tickets -- but if any co-ordinated scheme has been submitted by the province to the railway?

A. Yes, it was submitted, I believe, in December to Mr. Vaughan of the Canadian National Railways. The suggested details were submitted to him.

Q. Have you got a copy of that submission?

A. I am not sure whether I have it with me or not; it is in that box that is lost.

Q. When you get that box that is lost, let me have a look at it.

A. I would be glad to. I thought you had a copy of it.

MR. O'DONNELL: No.

THE CHAIRMAN: This year, you say?

A. 1948, sir.

Q. I wish you would satisfy me about this. Have the railway people and the bus people got together at any time?

MR. O'DONNELL: I will have to find out, my lord.

THE CHAIRMAN: If they have gone so far as to negotiate about it, it must mean then that the railway does not think the thing to be impossible.

MR. O'DONNELL: I will be glad to find that

out and see what position it has reached. I just thought I would ask Mr. Rogers what had been done and if any plan had been submitted. Now may I ask this, Mr. Rogers: Is it your submission to the Commission that the province of Prince Edward Island would be prepared to allow these various transportation agencies, buses, trucks, railways and other transportation media to be placed under some unified control?

A. They would have to come under our Motor Carrier Board.

Q. In other words the province has provincial rights that they wish to maintain?

A. I think they will do everything in their power to assist such a scheme being a successful one.

Q. Was any proposal made as to, for instance, who operated the buses in the event that the trains were taken off, as you suggest you would be willing to have done?

A. There were two proposals --

Q. Are those in the submission made to Mr. Vaughan?

A. Yes.

Q. In December last?

A. I think it was December 11 and there were two proposals and I assume the Commission wishes to hear those.

Q. Are those proposals that you say were in the letter which was sent to Mr. Vaughan in December last the proposals of the province?

A. No, Mr. O'Donnell. It was a suggested scheme and the reason it was written was that Mr. Vaughan and other Canadian National Railway officials had expressed great interest in this scheme and I was asked to put down suggested proposals on paper and since that time

the Canadian National Railways sent men to Prince Edward Island to make a very thorough study of this whole question and I assisted those men when they were there to the best of my ability and co-operated with them and I think I am safe in saying that the Canadian National Railways is favourably inclined. Now in answer to your other question as to control of the actual operation what was suggested was that either the railways buy the buses that were there now or that the railways enter into an agreement with those buses to haul the traffic for them, you see. A matter of close co-ordination such as is set up on Sunday nights at the present time from Sackville to Charlottetown --

Q. And further details are in that submission then in the box that is lost but are in that letter to Mr. Vaughan of December last?

A. Yes, and there is a certain amount of additional correspondence too and I would be glad to give you copies of it.

THE CHAIRMAN: What happens on Sunday night to a passenger who alights from the train at one of those points? Does he go on the bus with the railway ticket?

A. On Sunday night yes. I was the one that negotiated that.

Q. Who pays for that?

A. The railway pays the bus so much per mile.

COMMISSIONER INNIS: Does your competition in the Island extend to the point that the buses and the railways make it mutually inconvenient for passengers such as in the case of Ontario, for example? That is to say, the train schedule will be such that the bus schedule in comparison is to keep people on the

buses rather than the railway.

A. Well, in Prince Edward Island in regard to train schedules, the train from the mainland arrives in there at 6.10 -- at least she is due in there at 6.10 but her time of arrival depends on the train on the other side. She might be a few minutes late and quite frequently is.

THE CHAIRMAN: A few minutes?

A. Well, I wish to be generous, sir, and the buses leave for the east at 4.30. That is the afternoon bus but what we would like to see is an arrangement with the railway and the bus company so that that passenger that gets in at 6.10 or 7.10 that the bus would be scheduled back far enough so that they would be sure to get the railway passengers and take them out to their destinations.

MR. O'DONNELL: But hasn't your Transport Board jurisdiction over the buses and couldn't it fix a schedule for the buses so that they could meet those times?

A. It could.

Q. Well why would not that be a simple way of handling that problem?

A. They have not complete control over that, Mr. O'Donnell. They do not actually say to the bus "Here, you have got to go at a certain time." They take convenience and necessity for local people into consideration. Well, we want to add to that convenience and necessity for people who travel to and from the province and we feel too that by this co-ordination, that if the Canadian National Railways can use their locomotive power under the conditions which were described in evidence here yesterday solely for the

movement of freight, that our freight movements would be expedited quite a lot and the railway would save money under this scheme.

Q. Generally speaking, has the province any objections to railways going into business with buses and trucks?

A. The province has not expressed any objection that I know of.

Q. Have they taken any position in respect of that affirmatively?

A. Are you talking about control of them?

Q. No, the railways generally going into business with buses and truck transportation?

A. Well, we have just outlined that we favoured such a co-ordination in regard to buses.

Q. Subject to you having the control of it?

A. Subject to the Motor Carrier Board having control of it.

THE CHAIRMAN: I understood you to suggest, and I suppose you are speaking for the government, that the railway has a supplementary bus service of its own for taking them over?

A. Yes, they would either have that or a working arrangement with the established bus line to handle their passengers for them. It would have to be either one of those things.

Q. Then apparently your government would not object to the railway running the buses. Is that right?

A. They would not object to the railway running the buses under the Motor Carriers Board. Either one of those two schemes would be satisfactory.

MR. O'DONNELL: And are those two schemes outlined in those suggestions to Mr. Vaughan, in your

letter to him?

A. Those two schemes are mentioned.

Q. Now has the matter ever progressed beyond the stage where it was anything more than submission of these various suggestions in that letter?

A. Well, it has progressed to the point where your men have come to Prince Edward Island and have made a very, very extensive study of the whole situation. I understand they are going to present a report very soon but if it is not presented right away we should like this Commission to recommend that this be done.

Q. What type of recommendation should it be? Should it be a recommendation for unified control by some independent body having jurisdiction over transportation in the province and transportation which is covered by the Federal jurisdiction? Should both jurisdictions merge and assume an independent controller?

A. I don't see how the both jurisdictions could merge, Mr. O'Donnell. All I can say is that on this scheme it would cover passengers and naturally the mail services would be involved in that too and it would have to conform to our Motor Carrier Board the same as it would to the Motor Carrier Board in any of the other provinces and I don't think it would be wise or proper for me to make even a suggestion in regard to a fusion of federal and provincial interests.

Q. I take it your co-ordinated scheme entails control by the province of Prince Edward Island?

A. That is the movement of the traffic I mean. The tickets and all that is something by mutual arrangement.

MR. COVERT: Just one question I wanted to

ask and that is in connection with these submissions which you said were made to the President of the Canadian National Railways and you say there have been studies made since?

A. That is right.

Q. Now has there been close co-operation between the Canadian National Railway officials and the provincial officials?

A. The very, very closest and most cordial on both sides -- the most co-operative co-operation on both sides.

Q. Do you feel that progress is being made?

A. Yes, we feel that progress is being made but it (I don't know whether "irks" is the right word or not) but there seems to be so many technicalities that the railway is perhaps forced to bring up in connection with doing anything like this, that if the railways could have a little more freedom of action in making a co-operative scheme with another form of transportation which they in their wisdom felt would save money and would be beneficial to the public, I think the railway should have a little more latitude in that respect.

Q. When you say "freedom of action" that pre-supposes restrictions. Where does the restrictions come from?

(Page 6878 follows)

A. For instance in this matter of ticket arrangement we asked for the tickets to be interchangeable and we had a precedent for that, in that tickets on the Wood's Island ferry service and the Borden Tormentime service, both for passengers and automobiles are interchangeable. They can come over on one boat and go back on another boat.

MR. O'DONNELL: Dominion subsidies?

A. I am talking about interchangeability of tickets. It works out very well too. Then we have an arrangement for Sunday nights. When we ask them to go beyond a point of Sunday night, then we are up against Order number so and so and we have to apply to the Board of Transport Commissioners or the Canadian Association. There is a tremendous amount of red tape. In other words it is delaying the thing.

MR. COVERT: You are suggesting that the railway has not sufficient jurisdiction to make decisions because of present regulations involved?

A. I wonder why they have not freedom of action. For some reason they do not want to exercise freedom of action.

Q. Have they made counter proposals since you made your submission in December 1948?

A. It was a correspondence submission. We were asked to give our ideas.

Q. You made some proposals and they come back and some are allowed and on others they made counter proposals?

A. They made a study of the situation all over the Provinces.

Q. Have you seen the results of that study?

A. I have not. That is part of the railway property. I know from conversation what the results are and they are favourable.

Q. I was interested to see, when your proposals were made whether or not counter proposals were made?

A. One party knew what the other party were doing and where the difference lay.

Q. Can you tell us this, Mr. Rogers, are there substantial points of this agreement between the Province and the railway?

A. I have just one opinion and this statement was given me in conversation. There is one point of disagreement and that is that the railway felt that there should be Dominion control over trucking and that they should have a franchise on trucking within the province.

THE CHAIRMAN: An exclusive franchise?

A. Practically an exclusive franchise. That will be smoothed out. They will not get that.

Q. You are suggesting I take it, that the province initiated this integration?

A. It is in our brief.

Q. The province initiated it? Is that correct?

A. The matter came to a head in mutual conversation between Provincial officials and Railway officials.

Q. Commencing long before 1948?

A. It was suggested in 1944 according to correspondence.

Q. You made no progress except through the studies?

A. No progress except through the studies.

Q. Do you feel some progress is being made now?

A. Yes, I feel a lot of progress is being made but we want action.

Q. Your statement is that the province is not hold-

ing it up.

A. No.

Q. Unless it could be said that jurisdiction or control might be the deciding factor?

A. Definitely the province is not holding it up.

MR. SINCLAIR: There are some matters of principle involved here and I do not propose to ask the witness any questions. Our witnesses - other witnesses will be dealing with the same principle.

THE CHAIRMAN: Have you anything else to say Mr. Campbell?

MR. CAMPBELL: No, my lord.

THE CHAIRMAN: All right, Mr. Rogers, thank you.

MR. COVERT: You will recall Mr. Chairman, that here is one section of the Prince Edward Island brief which has not been dealt with at all, and that is Part 3.

THE CHAIRMAN: What page?

MR. COVERT: Page 88. A recommendation for a national transportation policy. I think Mr. Chairman, that that has actually been made part of the record, so it is in. There was no examination or cross examination on that point because no witness had discussed it. I understand from Mr. Campbell that there is to be no witness called on the matter and that that is to be a matter of argument when the final arguments are made. Is that correct Mr. Campbell?

MR. CAMPBELL: Yes, that is correct.

MR. COVERT: The next matter to be taken up, sir, is the matter of the Transportation Commission for the Maritime Board of Trade.

THE CHAIRMAN: Just a minute, Mr. Covert, I want to

take note of something. Yes, go on.

MR. COVERT: You will recall that Mr. Matheson presented the brief on behalf of the Transport Commission and I think gave some evidence in Halifax and some in Fredericton, and Mr. O'Donnell was cross examining him at the time. It was understood that Mr. Matheson would be back and continue where he left off at the last adjournment.

THE CHAIRMAN: We are coming back now to the submission of the Transport Commission of the Maritime Board of Trade.

MR. COVERT: Mr. O'Donnell, my lord and members of the Board, I have made arrangements with Mr. Sinclair that he would carry on from this point. I thought it would be good to have another voice for another few minutes.

MR. RAND H. MATHESON RECALLED and cross examined by Mr. Sinclair.

Q. I recall your answer to Mr. Smith when you stated you had more than twenty years experience in transportation matters?

A. That is right.

Q. It think it was only fair to say that Mr. Matheson is therefore one of the most qualified witnesses who has appeared before this Commission since the commencement of its hearings. In view of that Mr. Matheson I take it you would not mind assisting me in answering a few general questions.

A. Very well.

Q. My first question: is do you think the Canadian Pacific performs a useful function in the Maritimes?

A. I do definitely.

Q. In your brief in many places - for example

at pages 9 and 10 you point out that the Intercolonial Railway was built as a Government work and as such you contend that special consideration should apply to it?

A. That is right.

Q. Are you suggesting that as the Intercolonial Railway is a government work, the Canadian Pacific should have similar rights on that railway as the Canadian National?

A. Exactly what do you mean by that? Running right over the Intercolonial, for example.

Q. As an example, yes.

A. That proposal has been put forward from time to time. As a matter of fact in regard to the City of Halifax --

THE CHAIRMAN: Could you speak louder please.

A. The proposals have been put forward from time to time as regards running rights between Canadian Pacific Railway at St. John and the Port of Halifax.

Q. Is that one of the suggestions you have in mind in connection with this matter?

A. I have no instruction on that Mr. Sinclair, and at this stage I would not wish to develop it any further without discussing the matter with my principals; except to say what I have said about the proposal that has been made by the City of Halifax as to running rights, which was made from time to time.

THE CHAIRMAN: Has the Canadian Pacific made any representation on this question? Has any effort been made to obtain these running rights? Since you are raising it now I think we ought to know.

MR. SINCLAIR: As I understand Mr. Matheson's brief, he looks on the Intercolonial as being in a

different position from other lines of railway. He says it was government works built by government funds and that particular and peculiar circumstances should apply to it. He says, and it is his suggestion, that one of these particular and peculiar circumstances of the route should justify the Canadian Pacific having similar rights over all traffic over the Intercolonial or any part of it as the Canadian National.

THE CHAIRMAN: He has said that the City of Halifax hav made representations that the Canadian Pacific Railway should have such running rights between St. John and Halifax. What about the Canadian Pacific Railway? What do the Canadian Pacific Railway want? Does it want anything?

MR. SINCLAIR: I have no instructions on the matter. I am trying to find out what Mr. Matheson's suggestion is. I want to understand his suggestion.

THE CHAIRMAN: What is the concrete idea you wish to put before us. You say Canadian Pacific Railway have rights, if so to what extent?

MR. SINCLAIR: I was trying to understand how he was distinguishing - - how a railway that was part of the Canadian National Railway, just because it happens to be entrusted, how different he was going to make it from any other railway which was built by the Canadian National Railway or any constituent part of it.

THE CHAIRMAN: We were told - he has told us what his people think about that. We have heard a great deal about that but this is the first time we have heard of running rights for another railway. It would be interesting if any other railway is looking for those rights or

1. *W*hat is the name of the place where you live?

2. *W*hat is the name of the town or city where you were born?

3. *W*hat is your present occupation? If you are married tell me if

you are a husband, wife, son, daughter, etc., and if you are a child tell me what you are.

4. *W*hat is the name of the school you attend?

5. *W*hat is the name of the church you attend?

6. *W*hat is the name of the town or city where you now live?

7. *W*hat is the name of the town or city where you were born?

8. *W*hat is your present occupation? If you are married tell me if

you are a husband, wife, son, daughter, etc., and if you are a child tell me what you are.

9. *W*hat is the name of the school you attend?

10. *W*hat is the name of the church you attend?

11. *W*hat is the name of the town or city where you now live?

12. *W*hat is the name of the town or city where you were born?

13. *W*hat is your present occupation? If you are married tell me if

you are a husband, wife, son, daughter, etc., and if you are a child tell me what you are.

14. *W*hat is the name of the school you attend?

15. *W*hat is the name of the church you attend?

16. *W*hat is the name of the town or city where you now live?

17. *W*hat is the name of the town or city where you were born?

18. *W*hat is your present occupation? If you are married tell me if

you are a husband, wife, son, daughter, etc., and if you are a child tell me what you are.

is it a loose question with no consequences?

MR. SINCLAIR: I was wondering what Mr. Matheson's suggestion was. If we have any suggestions we will call witnesses to uphold them.

THE CHAIRMAN: You say that evidence should be adduced so that we can make a recommendation.

MR. SINCLAIR: It all goes back to the point as to what springs from this idea that the Intercolonial Railway because it is a public works should be any different from any other railway. I am trying to explore that question.

THE CHAIRMAN: All right.

Q. What do you say to that, Mr. Matheson? Do you think any other railway should have any other rights over the Intercolonial Railway?

A. I would prefer to defer that until I had instructions from my principals. I think there is one angle, our Maritime Commission did take a very active part in regard to routing traffic via St. John and New Brunswick in order to get the various advantages which the shippers considered accrued from that particular routing, and which was turned down on the interpretation of the Supreme Court of Canada of the Maritime Freight Rate Act; and the result was that the additional routing they had via St. John was taken away because the Supreme Court said as far as the Maritime Freight Rates Act was concerned it was compulsory with the Canadian National Railway but voluntary with the Canadian Pacific Railway, and as a consequence they could not order the Canadian Pacific Railway - they could not order routing by the Canadian Pacific Railway when it was only voluntary for the Canadian Pacific. We felt that that was not in the minds of the Duncan Commission.

MR. SINCLAIR: Page 94 Volume 2 of the Canadian Pacific Railway's submission with regard to the gateway is that the Canadian Pacific is in favor of the re-establishment of that gateway, and they support the contention put forward by the Maritime Transportation Commission.

THE CHAIRMAN: Where is this representation made in your brief?

A. 102 I believe, sir. I will check it. It is under section 9, first volume, pages 102 to 103.

THE CHAIRMAN: And, Mr. Sinclair, do you tell us that the Canadian Pacific Railway agrees with recommendations made under this heading?

MR. SINCLAIR: Yes, my lord.

Q. As a matter of principle do you consider that freedom in rate making below prescribed levels should be within the discretion of railway management, safe guarding the public interests only by prohibiting undue preference or unjust discrimination?

A. That question covers quite a scope.

THE CHAIRMAN: Would you read it to me as Mr. Sinclair put it?

(Reporter reads question.)

THE CHAIRMAN: That is the position today, is it, about?

A. My answer to that Mr. Sinclair, is this I feel that there should be a certain amount of managerial prerogatives. However as stated in page 81, of my brief, I feel there should be supervisory power bestowed upon the Board of Transport Commissioners as enumerated in (a) to (d).

MR. SINCLAIR: Q. I believe Mr. Covert cross-examined you in Halifax on those points?

A. That is right.

Q. And, as I recollect it, it turned a little bit upon whether you wanted the Board to be an economic planning board?

A. To which I took the stand that it would be not exactly an economic planning board, that it would be more or less of a regulatory board, in line with the jurisdiction.

Q. You found the line pretty hard to draw?

THE CHAIRMAN: Q. That it should be made a regulatory ---

A. A regulatory board, with additional powers or considerations I should say to govern them. That is under (a), "the conditions which at any time prevail in industry to the end that commodities may move freely; (b) 'the effect of rates on the movement of traffic by the carrier or carriers for which the rates are prescribed';" Incidentally, that is taken directly out of the Interstate Commerce Commission Act. "(c) the rate relationships under which industries have been established and developed; (d) the incidence of increases in worsening regions economically."

MR. SINCLAIR: Q. As I recollect it, Mr. Matheson -- you correct me if I am wrong -- you find it pretty difficult to say ~~that~~ the Board would not be of necessity an economic planning board with those powers?

A. If I remember correctly, my answer there was somewhat to the effect that I considered the Board has a certain amount of economic planning in its present set-up. This proposal was only broadening it within certain realms as enunciated. It is a question, I think I should

add, of judgment, consideration of all factors, the merits of the case, in relation to those things as set out. I believe at this time or to-day the Board does give certain considerations which are a matter of judgment on the basis of the facts and data presented before them.

Q. Do not railway traffic officers and railway management discuss these problems with them, give consideration, exercise judgment in connection with these matters?

A. That is right. Consider that they do; I feel that this additional scope should be one also for the Board of Transport Commissioners.

MR. COVERT: I did not get that.

THE WITNESS: That this additional scope as enunciated should be one also for the Board of Transport Commissioners.

MR. SINCLAIR: Q. In other words, you are suggesting that management's judgment in operating their plant should be regulated by someone who is not responsible to the owners of the plant?

A. I would say that it should be subject to review by a regulatory body.

Q. I do not think you answered my question. May I have the question read?

THE REPORTER: "In other words, you are suggesting that management's judgment in operating their plant should be regulated by someone who is not responsible to the owners of the plant?"

THE WITNESS: I still stick to my reply, Mr. Sinclair.

THE CHAIRMAN: Q. What do you say to that?

A. I still stick to my original reply, that it should be subject to review, in line with what I have enunciated on page 81, (a) to (d).

THE CHAIRMAN: Mr. Sinclair, may I say a word there? In this first clause, paragraph (a), the brief begins by saying that if necessary the Railway Act might be enlarged so as to allow these things. Now, (a) says "the conditions which at any time prevail in industry." So far, that sounds pretty wide, but then it goes on, "to the end that commodities may move freely." What does that all mean, then -- to the end that commodities may move freely?

MR. SINCLAIR: That is why I asked the witness --

THE CHAIRMAN: That seems to limit very much the generality of the first words of the sentence, that the Board should take into consideration the conditions which at any time prevail in industry, but only to that one end, that commodities may move freely.

Q. What is meant by that, Mr. Matheson?

A. That, Mr. Chairman, is a paraphrasing of a statement by Mr. Walter J. Kelly, head of the Traffic Department of the Association of American Railroads, in a memorandum of testimony at a hearing on December 2, 1948, before the sub-committee on trade policies of the Senate Committee on Interstate and Foreign Commerce. This is contained, sir, in Exhibit No. 47, Appendix 1(b), in the fifth paragraph, which states as follows:

"The decisions of the Commission disclose quite clearly" -- speaking of the Interstate Commerce Commission -- "I think, that over the years it has interpreted the Interstate Commerce Act as imposing upon it the duty of so administering the various provisions of the Act as to encourage and promote the utmost freedom in the movement of traffic."

Q. Well, what stands in the way to-day? What

is there to-day which opposes full freedom in the movement of traffic? Is there anything?

A. I would answer that this way, sir, keeping in mind this matter of the possible impingement and impact of horizontal percentage increases as it would ---

MR. SINCLAIR: Q. Over which the Board now has jurisdiction?

A. Definitely.

Q. So you are not referring to them here?

A. That is right. If, for example, they apply a horizontal percentage increase, that might have the effect of impinging on a particular industry to the extent that it would find itself restricted in regard to a movement of freight to a particular market, and to that extent it would result in a curtailment of traffic on the railways, and there would not be the same freedom of movement.

Q. Mr. Matheson, when the Board fixes just and reasonable rates, surely you are not suggesting that they do not give consideration to such matters? You use the word "mandatory" there. It is part of their duty and they carry it out.

A. I would say to that ---

Q. Or are you objecting ---

MR. F. D. SMITH: Let him answer the question, please.

THE WITNESS: I would say to that that the Board in its dicta--

MR. SINCLAIR: He is taking a long time to answer it.

MR. F. D. SMITH: Some of your questions take a long time, too.

THE WITNESS: The Board has laid down dicta

from time to time that economic conditions and geographical factors are no criteria of the reasonableness of rates. In connection with (a), that may involve some economic and geographical factors to which I contend there should be something stipulated definitely, that the Board might bend over backwards and give these matters consideration as to the effect they might have on the industry in relation also to the recommendations made by the Duncan Commission in its report.

MR. SINCLAIR: Q. You are suggesting there that there would be legislation that the Board would consider all the costs of production, the transportation factor in those costs?

A. That is right, that would be also involved.

Q. And the efficiency of the plant?

A. That would be also involved.

Q. And the efficiency of its management?

A. That would be also involved.

THE CHAIRMAN: Q. Suppose there were several plants with different degrees of efficiency; what would you say?-- because, you see, freight rates have to be the same for all shippers?

A. That, Mr. Chairman, would be a factor that they would have to weigh, weigh the relative efficiency of the particular plants, and if they had a case where the impact of a freight rate increase was such that they were going to be put out of business, that would be a factor that they consider, and also consider whether this plant, taking all those factors into consideration, is efficiently operated.

THE CHAIRMAN: Go on, Mr. Sinclair.

MR. SINCLAIR: Q. You would agree with me, would you not, Mr. Matheson, that the Board of Transport

Commissioners under the existing legislation has complete and unfettered power with regard to the Canadian Freight Classification, and no management is necessary in that regard?

A. Speaking of the classification per se?

Q. And the powers of the board over it.

A. Oh, definitely; they have complete power.

THE CHAIRMAN: Mr. Sinclair, would it perhaps not help if we had some of these statements that have been made by the Board from time to time before us, as to its own views concerning its powers to take into industrial consideration/conditions? There are several extracts in the various briefs from the judgments; if we had their language we would know what the question is here, and how they do circumscribe themselves.

MR. SINCLAIR: I had moved to the question of the freight classification, my lord. My question was directed ---

THE CHAIRMAN: Yes, but I say it might help us if we had before us now statements made by the Board in which they circumscribe their own authority in taking into consideration industrial or other economic conditions. They have mentioned that several times.

MR. SINCLAIR: Yes, and they have also, for instance, in the grouping of coal rates ---

THE CHAIRMAN: Yes, but we are on this clause (a) of Mr. Matheson's brief at page 81. He says it ought to be made mandatory upon the Board of Transport Commissioners to take into consideration when making rate adjustments the conditions that at any time prevail in industry.

THE WITNESS: Sir, I will give you a quotation.--

THE CHAIRMAN: They said something about that.

THE WITNESS: I will give you a quotation on that, sir.

THE CHAIRMAN: Q. Where is it from?

A. 46 Canadian Railway Cases at page 76, in the case of Chisholm Saw Mills and Edmonton Box and Shook Company vs. C.P.R. and C.N.R., at page 80:

"It is not the Board's function, nor has it been empowered, to attempt to overcome geographical advantages or disadvantages of location by directions as to freight rate adjustments."

That is one of a number of quotations. I believe possibly that in this particular case there might be several other quotes of the same purport.

Q. What had they been asked to do in that case?

A. I do not remember the details of that particular case, sir. Apparently it was a question of comparison of rates, and I do not remember the details of it, but that was the dictum they laid down.

Q. If we knew what they had been asked to do and what they said they could not do, then we would know where they drew their own limitations as to their powers.

A. I could get that particular detail for you, sir.

THE CHAIRMAN: Perhaps Mr. Sinclair could help us on that.

MR. SINCLAIR: Yes; I have not got it here, my lord.

THE CHAIRMAN: You see, if we are to be asked to recommend some change in the powers of the Board, we ought to know what their limitations are now, according to their own interpretation of their statute.

MR. SINCLAIR: Quite so, my lord.

THE CHAIRMAN: I know in a general way --

MR. SINCLAIR: That is a matter that the Board has dealt with, and I would be only too happy to go back to this after lunch. I will move away from it now and come back to it again.

MR. O'DONNELL: If it would be of assistance, my lord, I think in the 21 per cent case, which is recorded in 62 C.R.T.C., page 1, and 38 J.O.R. & R., No. 1-A, there are, under the heading of "Rates to assist and develop industry", a number of cases listed by the Board of Transport Commissioners.

THE CHAIRMAN: Then they make a statement there too, don't they?

MR. SINCLAIR: I think they have actually set out a number of cases.

MR. O'DONNELL: Yes, they have set out quite a number, and then they themselves say:

"Very wide powers, it is true, are given under the Railway Act; but the Railway Act is not to be construed as if it were a blank cheque to be filled in as members of the Board see fit. It is not the Board's function, as delegated by Parliament, to make rates to develop business, but to deal with the reasonableness of rates either on complaint or of its own motion."

But there are quite a number of cases gathered together there.

THE CHAIRMAN: They say there they are not empowered to impose rates to develop business.

MR. O'DONNELL: Yes, my lord.

MR. SINCLAIR: Q. Now, Mr. Matheson, in your many years of experience as a transportation man you have filed complaints with the Board?

A. Right.

Q. What did you do? Send them a post card or a wire?

A. Oh, different ways, Mr. Sinclair. Sometimes I have wired to the Board, lodged a complaint, and other times I have written them quite a voluminous initial brief drawing up what I considered issues. Oh, there are various approaches I have taken.

Q. But you have never experienced any difficulty in the procedure now in effect in bringing complaints to the Board?

A. None whatsoever.

Q. And having them considered?

A. None whatsoever.

Q. The Commission has received some representations that rates should be based on the cost of service rather than the value of service; now, from your experience and study of transportation, what are your views as to adopting the cost of service to the exclusion of the value of service in ratemaking?

A. Well, this might be a long reply. Frankly, I think predicating freight rates on cost of service is impracticable -- that is, predicated on just cost of service alone. Of course, there are exceptions that might arise. Cost of service is the lowest -- that is, when I say cost of service, the out-of-pocket cost; there are different interpretations of costs as well -- is the lowest on which a freight rate can go. Then on top of that is the question of value of service, and in between is the realm of what the traffic will bear. Now, if you predicated rates solely on the cost of service---

Q. That is the out-of-pocket costs?

A. The out-of-pocket costs -- take the out-of-pocket costs if you will -- no, no, pardon me, I am getting ahead. If you talk of costs, all-inclusive costs.

Q. All-inclusive costs?

A. That is right. Basic commodities such as coal and grain products and fertilizers would only move a relatively short distance. In the long run, on the cost of service, in my opinion the tendency would be for it to increase, because there would be the loss of traffic from the basic commodity rates, which would be contributing something to the so-called constant expenses of the railways, which -- it is a matter of argument; some people contend it is high and some people contend it is low.

Q. But there is some?

A. Well, I think in the short run they are substantial.

Q. But there always is some, in your opinion?

A. Yes -- well, I say substantial on the short run, and in the long run the I.C.C. claims -- of course, it is related to the density of traffic and so on -- around the vicinity of 80 per cent. I do not remember just the exact detail.

Q. 80 per cent are variable?

A. 80 per cent are variable, that is right, and 20 per cent constant. So the situation in connection with the cost-of-service angle or approach is that where these goods that move are precluded, they are not contributing the amount to the over-all picture of the railway's picture of financial returns, so as a result the cost on what moves increases, and there is not the same freedom, if I may use that expression right here, in connection with 81(a), there is not the same freedom of traffic that is necessary in a country like Canada, and in the long run costs are increased. I do not know whether that answers the point, but it is a long story there.

Q. I take it that as a practical transportation man of over twenty years' experience you are very much against

the cost of service as a principle in ratemaking?

A. Oh, definitely. As a matter of fact -- well, I won't go on; that answers the question.

COMMISSIONER INNIS: Q. You are quite opposed to the position set forth by British Columbia?

A. Incidentally, I have not read the British Columbia brief -- I have not had time -- but I would say that if that is the purport of their brief I do not think it is practicable.

THE CHAIRMAN: Q. Does the cost-of-service principle mean that the railways get simply enough freight rates to reimburse them their out-of-pocket expenses? That cannot be it.

A. No, sir.

Q. That is the beginning; that is the basis?

A. That is right, sir. When you speak of value of service -- perhaps I might explain it this way---

Q. Value of service is something different?

A. Yes. Value of service, in my own definition -- I don't know whether it fits in -- is equivalent to the highest freight rate at which traffic can move. That is definitely speaking of the value of service. Now, on the other hand---

MR SINCLAIR: Q. Under the over-all fixed by the Board?

A. That is right. Then on the other hand you have a cost of service; that is what would contribute to the over-all requirements of the railroad. That is, let us say the cost of freight and passengers and the taxes, contribution to taxes and contribution to fixed charges.

THE CHAIRMAN: Q. Not only contribute to them, but pay them?

A. That is right, sir -- and a reasonable profit.

There is another cost of .service factor---

Q. You have added there the reasonable profit?

A. Oh, definitely; that would be included in the over-all cost.

Q. You begin with the cost, their expenses, and you add to that a reasonable profit?

A. Taxes and the fixed charges, which would include fixed charges and dividends, you see. Then on the other hand there is what you call out-of-pocket cost, which is the cost, for example, of moving -- let us say a train capacity is 40 or 50 cars, and the train is a regular operating train taking 10 or 15 cars; it is the cost that would result from placing an extra car on that particular train. That is, in other words, the increase in cost that would result from the addition of the traffic for which the rate might be made on an out-of-pocket basis.

MR. SINCLAIR: Q. Another way of expressing it -- the amount that would be saved if the particular traffic did not move?

A. That is the converse of it, yes.

Now, in a number of places through your brief -- at page (a), for instance, of the introduction, the first page of the brief -- it is a theme that runs through it -- you state:

"... the transportation factor is one of the most important criteria in the locational pattern of industry."

THE CHAIRMAN: Mr. Sinclair, did you say page 3?

MR. SINCLAIR: "A" -- The first page of the brief. It is a theme that runs through the brief and this is just an example to tie it into the brief.

THE CHAIRMAN: Yes, the introduction.

MR. SINCLAIR: Yes, but it is throughout the brief. It is just an example. There is one sentence "The transportation factor is one of the most important criteria in the location pattern of industry." Now, Mr. Matheson, give us some other factors that are of some importance or equal importance to the transportation.

A. I can give you some other important factors but I would not say more important or less important. It depends on the conditions and circumstances that obtain. There is the question of location near the raw materials, location near the markets or the proximity to markets and the proximity of materials, labour costs, power rate and a number of other factors.

Q. For instance, in making washing machines, how important is the transportation factor in making a washing machine?

A. I will answer that, Mr. Sinclair, by two of our witnesses who are coming in tomorrow.

Q. Let us deal with a place called say Amherst.

A. They will be here from Sackville and Amherst, operators from a plant in Sackville and Amherst.

Q. The Bendix people will be here?

A. No, but this is a similar commodity -- stoves.

Q. Oh, a stove is like a washing machine, is it? I thought they were quite different myself.

A. Well, they might not be so different as you

think. It incorporates all the factors involved in producing.

Q. Well, if they are similar and if transportation is an important factor in the "location pattern of industry" tell me, at Amherst there is a relatively new washing machine plant of a pretty good size?

A. That is right.

Q. And from there they distribute how far?

A. That plant was built primarily (this is answering your question incidentally) on the grounds that they were going to export a substantial percentage of their production, exports to foreign markets.

Q. Was that built at a seaport?

A. Seventy per cent export and they considered (incidentally I worked on this thing and happen to know something about it) and they were figuring on the export market and the advantages that might accrue in connection with its location. There were several locations considered and it was primarily keeping the export market in mind **that** they settled at Amherst.

Q. Do they not distribute throughout Canada from that plant?

A. Right to Vancouver.

Q. So for the serving of the Canadian market the transport factor for that plant was not an important factor at all, was it?

A. The export aspect was the governing factor there according to my information.

Q. So that in each case you have to take into consideration all the circumstances and minutely consider them before you can make a statement?

THE CHAIRMAN: How does their export traffic travel?

A. By water. Rail to Halifax or Saint John and from there by water to points all over the world wherever they get a market.

MR. SINCLAIR: If they built the plant in Montreal they could still move their exports by water?

A. Seven months of the year.

Q. And if they built it at Halifax they would not have to have a rail haul before they got to the water, would they?

A. No.

Q. So rail transportation costs even in the export business were not an important factor?

A. Rail transportation costs in this particular case were considered an important factor and incidentally while you are on this point I received a letter --

Q. Was considered an important factor?

A. Oh, it was. It was the export aspect that was considered one of the most important factors.

Q. Not transportation problems?

A. The transportation costs for the export markets. I am going to develop this a little further.

THE CHAIRMAN: Are you talking now of the railway cost between Amherst and Halifax?

A. No, I am speaking on the total transportation cost, rail and water -- overseas as well. I just received a letter from Indiana or when I say I just received it I received it a few months ago and they were very much perturbed over the situation in the Canadian market with the freight rate increase. If I remember correctly, particularly the increase that

was effectuated in the transcontinental rates and saying that had they known this was going to take place their considerations might have been different. I will qualify it that way -- "might have been different".

Q. Have you got a copy?

A. I can secure a copy of the letter for your information. I have not got a copy here but I believe a copy of it was sent to the Canadian Freight Association for their information in connection with a submission we made.

MR. SINCLAIR: So as a result of that are they going to close their plant and move to Winnipeg and stay in the middle of Canada?

A. They never intimated anything like that, Mr. Sinclair. I do not know if that is pertinent to the particular angle.

Q. Did they say anything about the increase affecting the volume of production or volume of sales?

A. Well, I think it stems from that that it might have a direct bearing in connection with their sales.

Q. "Might" only?

A. Well, naturally not producing stoves and not being connected with the industry I can't be definite about that.

Q. Let us take shoes. You have a plant at Fredericton who make shoes?

A. Right.

Q. Sold throughout Canada?

A. Right.

Q. Is transportation rates a factor here in the location pattern of that industry?

A. That would be a high value. My definite answer to that is in some instances where a commodity is of high value, when you pay \$15 or \$16.75 or whatever the price is for a Hartt shoe, the transportation factor is not such an important element. The question of the transportation factor might not be so important although there could be a time when the transportation factor, if it kept on rising relatively with competitors, could evolve into a very important factor but as far as boots and shoes of that nature which are of high value and small bulk are concerned, I would be willing to say that the transportation factor is not as important as in the case of some other commodities where the percentage of transportation is relatively high.

Q. All right, we will take grain. Is the transportation factor an important factor governing the location of the grain-growing industry?

A. Now you are speaking of a raw material. It has a bearing, I would say, as to the prosperity of the production of grain or lumber in relation to that source of supply. The transportation is important as to where this lumber or grain will be exploited. This is an important factor.

Q. Is it an important factor to the location of the industry is what I asked?

A. I know, but you have got your lumber your potential production in a particular place and if that production is marginal in relation to somebody else and the transportation cost goes up, well then you are out of the picture.

Q. It is a factor only on the marginal producer in your opinion?

A. Yes, for example to give you an illustration of the point, if grain in the west --

Q. What kind of grain?

A. Grain products generally. If, for example, the relative position of other countries were such that they could get their products into, we will say, the U.K. market, the transportation factor there might be of tremendous importance in regard to a shipment of grain from the Western Provinces. It might curtail some areas that are now producing.

Q. There are a lot of factors governing it, aren't there?

A. I will admit there are a lot of factors governing any industry and as I say in my brief one of the most important criteria is the transportation factor and I still stick to it.

Q. But that only depends on circumstances and it may vary from time to time? It may depend on the commodity?

A. That is right.

Q. For instance, the location factor of grain -- you can grow grain in the Maritimes?

A. Yes.

Q. And yet you are an importer of agricultural products?

A. Large importers of grain.

Q. The reason is there are other things you can grow more profitably?

A. Yes.

Q. Maybe the reason is that you have a subsidy in feed grains?

A. I would not go into that particular phase of it.

Q. Now I take it, Mr. Matheson, that you are in agreement with the Duncan Commission Report?

A. Have you got any specific section you want to refer to?

Q. Don't you agree with the Report as a whole?

A. I would rather be specific on it if you would.

Q. You tell me what you don't agree with in it. You treat it like something -- by your consistent references to it you might think you knew every word of it.

A. If you give me the specific part of it, I would be only too glad.

Q. Are you afraid of something?

MR. F. D. SMITH: This is not a police court is it, after all?

THE CHAIRMAN: It seems to be hard to hold up a book and ask a man what is in there.

MR. SINCLAIR: We will take page 38 of the Duncan Report "Agriculture". I see that it says here that

"-- there is greater initiative required in searching for markets."

Do you agree with that?

A. What line is that, Mr. Sinclair?

Q. Right at the end of the first paragraph.

THE CHAIRMAN: Read it again, Mr. Sinclair.

MR. SINCLAIR:

"--greater initiative in searching for markets."

That is what is said is required in the Maritimes in agriculture -- "greater initiative in searching for markets."

A. Would you give me the line of that, Mr. Sinclair?

I can't put my finger on it.

Q. Here. Do you agree with that?

A. I will answer that there has been a greater research in the development of the market.

THE CHAIRMAN: Since this Report?

A. Oh, definitely, sir, to my knowledge.

MR. SINCLAIR: Q. So that greater initiative was needed at the time this report was made?

A. Apparently that must have been the Duncan Commission's finding.

Q. I asked if you agreed with it.

A. When this report was made?

Q. Yes.

A. I had not made a study of it at that particular time.

Q. Do you think that greater initiative is needed now?

A. I believe that that would be an answer that would better emanate from somebody connected with the Department of Agriculture. I do not know the agricultural industry that thoroughly, but I could answer it this way, that considerable research has taken place and development has taken place which has extended right along I would say in producing, especially agricultural products.

THE CHAIRMAN: Q. So Mr. Sinclair, is that addressed wholly to agricultural products?

MR. SINCLAIR: I was going to deal with agriculture first and then see what he wanted to say about some other things.

THE CHAIRMAN: Q. Because I would assume that the Board of Trade would inquire into all sorts

of transportation of commodities?

A. That is right, Mr. Chairman, we do.

Q. But for the present you are only referring to the lack of initiative which at some time prevailed in the marketing of agricultural products?

MR. SINCLAIR: I asked him if there was still a lack of initiative or greater initiative. Now the next paragraph of the Duncan Commission Report still following under the heading of "Agriculture" says:

"-- the Maritime Provinces is now realizing to what extent organized distribution and co-operative marketing must be developed if the industry is to enjoy the prosperous expansion of which it is capable."

Do you agree with that?

THE CHAIRMAN: Q. Read it out loud.

A. "The agricultural production of the Maritime Provinces, apart from the considerable export market for potatoes, fruit and dairy products, has depended upon local consumption, but the production is very far short of meeting the local demand, and very far short also of the potential capacity of the provinces."

I would say at the time that was written to some extent that was quite right.

MR. SINCLAIR: Q. And is it still right?

A. To the extent that there is a limitation in which they can produce even for the local market in competition with other sources of supply.

THE CHAIRMAN: Q. At a greater distance?

A. That reference, Mr. Chairman, was with reference to, for example, comparison -- we will take Sydney for example. Sydney is a large importer of

bacon products. When I say "bacon products" I mean packing house products.

MR. SINCLAIR: Q. I am sorry, Mr. Matheson. I think you had better read this again; it is not dealing with local urban markets but is dealing with the Maritime Provinces. That is not dealing with somebody within five miles of Sydney.

THE CHAIRMAN: Well he says there are possibilities of supplying the local market which are not being taken advantage of.

MR. SINCLAIR: That is the Maritime Provinces "the agricultural production of the Maritime Provinces, apart from the considerable export market for potatoes, fruit, and dairy products, has depended upon local consumption --"

THE CHAIRMAN: Then he goes on.

MR. SINCLAIR: " -- but the production is very far short of meeting the local demand --"

So they have got to import.

THE CHAIRMAN: And that is what I wanted to know more about, Mr. Sinclair, what is the availability of local production, of agricultural products, to supply their own people. What about it, Mr. Matheson?

A. The illustration I was giving, I think, was apropos.

Q. What is it?

A. Sydney is a large importer. When I say "importer" I am speaking of importing from other parts of the Maritime Provinces, we will say Moncton, for example. They import a considerable amount of packing house products, that is bacon, eggs, ham and so on.

Q. Those are products that have gone from the farm to an industrial area and they have been packed there?

A. And shipped down to Sydney. Now in the vicinity of Sydney there are a lot of farmers. It is a farming community but they do not produce enough to supply the local market and one of the reasons for it is that the condition of the soil and factors of that nature preclude them from producing in sufficient quantity to supply that local market. So the result is these articles are imported from other parts of the Maritimes and outside of the Maritimes also.

Q. You say that the potentiality is not there?

A. No.

Q. The Duncan Report refers to cases where they say the potentiality is there and is not being exercised.

A. Yes; as to the manner in which that has been developed I know it has been developed considerably in the production of poultry. They have made splendid strides in that and also in the production of bacon products, but to what extent that there is the magnitude now that they can compete competitively with other sources of supply I do not know, but I do know the Department of Agriculture are going into the matter very carefully.

Q. You are referring to the Department of Agriculture of the province?

A. Yes, and I believe also with the assistance of the Dominion in some phases of the development of agricultural products.

MR. SINCLAIR: Q. Now, on the next page of the Duncan Commission Report under the heading "Migration" it says, dealing with the population and the exodus of people from the Maritime Provinces;

"The feature of agricultural life that was

most prominently brought to our notice was the loss of farm population in the Maritime Provinces and the lack of immigration. There can be no doubt that the exodus from the farms of the Maritime Provinces, particularly of young people, has been considerable. The movement, however, has been facilitated, not only because of the 'lure of the West' but as much by the state of stagnation into which agriculture has settled in the Maritimes. It seems to us that the exodus has been more the result of that stagnation than the cause. The great possibilities of agricultural development within the Maritimes themselves have not been realized, and the reaction has been that young people have been allowed to become the victims of a growing feeling that there is little hope of much prosperity generally in the provinces. The problem is, in large measure, a psychological one, and it seems to us that it can only be corrected by a greater sense of prospect being developed. That prospect can itself best be developed by a more vigorous concentration on such a basic industry as agriculture and particularly on production, marketing, and distribution."

Do you agree with that?

A. My answer to that is that that is being done today by the Department of Agriculture. They are trying to encourage a greater production of live stock and agricultural products in general in the Maritime Provinces.

Q. Isn't that saying that a proper economic sphere for the Maritime Provinces may be agriculture

instead of being, we will say, automobiles?

A. Not necessarily, Mr. Sinclair.

Q. Now this psychological feeling, this initiative, this organization which is talked about concerning agriculture in the Duncan Commission in which you say they have done much and are still continuing, do you think that applies to other fields of economic endeavour in the Maritime Provinces?

A. All I can say to that is that there is considerable work being done by the provincial departments of industry to promote various types of industries and as to what they have done in that respect, that is a matter for those that are directly concerned with that particular field to give you an answer on it, but I know they are continually going into that field and endeavouring to do whatever they can to improve the Maritime Provinces.

Q. You would agree with me then, Mr. Matheson, that initiative and organization are much more important than artificial stimulus which may be given by manipulation of the freight rate structure?

A. I think that should be qualified. If, for example, a transportation factor may, with all other things being equal, be a deterrent factor, and keep in mind the purpose and intent of the Intercolonial Railway, that then assistance along that line as we consider necessary should be implemented.

Q. Even though economics suggest that they develop agriculture instead of building automobiles -- even though? Is that what you had in mind?

A. I don't just --

MR. F. D. SMITH: I don't know of anywhere in the Maritimes where automobiles are built. They did

build them in Amherst at one time, but they could not continue.

MR. SINCLAIR: The economics could not support the industry.

---At 1 p.m. the Commission adjourned to resume at 2.30.

(Page 6930 follows)

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

MR. COVERT: Mr. Chairman, the first submission this afternoon is that of the Dominion Joint Legislative Committee, Railway Transportation Brotherhood.

Mr. A. J. Kelly, Chairman of the Committee of the Brotherhood of Railway Trainmen, will be the first to make a submission.

MR. ARTHUR J. KELLY CALLED

MR. COVERT: Mr. Kelly you intimated that before reading the submission you wanted to make a short statement. Would you tell me first of all what is your first name?

A. Arthur J.

Q. And it is spelled Kelly?

A. Yes.

Q. You are Chairman of the Committee of the Brotherhood of Railway Trainmen?

A. I am Chairman of the Dominion Joint Legislative Committee of the Railway Transportation Brotherhood.

THE CHAIRMAN: What was that?

A. Chairman of the Dominion Joint Legislative Committee of the Railway Transportation Brotherhood.

MR. COVERT: You might address your remarks to the Commission and I might tell you that the acoustics here are such that you will perhaps have to speak a little louder.

MR. KELLY: Perhaps I should first explain to you the reasons why our brief is in three parts. In the first place we understand the matter before you includes many phases of transportation. First the general phase

of transportation, and secondly, includes matters involving administration of the Railway Act. For that reason it appeared proper to submit the brief in two parts. Then we find that committees who are charged with the representation and negotiations of agreement to represent the personnel as we did in the matter of railway employees, decided to submit to you a few thoughts in connection with the effect of railway economy and rates on wages and what have you. For that purpose we made part two of the brief. Mr. Hall, Chairman of that committee expected to be here to handle Part 2. Unfortunately he cannot do that and he asked me to carry on through the entire brief. If I may proceed from there I will read it.

THE CHAIRMAN: Yes, and you begin where?

MR. COVERT: You begin at the beginning.

MR. KELLY: I will begin at the first part of our brief.

The Royal Commission on Transportation:

Gentlemen: On behalf of the major portion of all employees of Canadian railways we desire to express appreciation for this opportunity to submit our views for your consideration. Apart from their employment, our men and their families are keenly interested in all phases of Canadian citizenship and national problems.

We recognize the subject matter before your Commission as an important national problem in which those we represent are directly interested and most vitally concerned. Other comparable Commissions and inquiries have dealt with this question intermittently throughout the years. Committees of our organizations have made representations at such inquiries, also to Dominion, and Provincial Governments, seeking the establishment of a "National Transportation Policy" - fair to all engaged in transport for hire and to the citizens who must depend upon such service and bear the burden of the cost.

Your authority and terms of reference are, we understand, comprehensive and permit consideration of most phases of our various transport agencies. The services rendered by the railways, and their economic standing have all been publicized as coming within the scope of your inquiry.

It is not our purpose to attempt to deal with the many phases which have, or will be, the subject of presentation by those more competent. However, as Part I of this submission, we do desire to stress the effect of the lack of uniform regulations and control of transport services, and the necessity for same in any sound "National Transportation Policy."

PART I

We recognize the value of the various types of transport in their respective fields, but deplore the lack

of regulations and control which would allocate each type to the service for which it is most capable.

It will be readily conceded that any agency, as a commercial enterprise, offering facilities for the transportation of the public and the commerce of the country constitutes in itself a public utility. It should, therefore, be subject to supervision, control and regulation by appropriate governmental authority to protect the public interest. We maintain that such interest demands reliable service with maximum standards of efficiency, safety and accommodation to meet public necessity and convenience, ensuring uninterrupted service upon which industries and communities must depend.

Where competitive transport agencies are involved, the control and regulations should ensure to each the economic security necessary to meet the required service qualifications.

The present rather rigid control and regulations imposed upon our railways, while highway transport (in direct competition for the more preferable and profitable shipment of selected commodities) lacks uniform or comparable control, must be regarded as inequitable and destructive competition. The effect on the economic life of our railways must be considered. It is obvious that to control one class, and allow all competitors to operate without comparable regulations, will never be a sound basis for a "National Transportation Policy."

The Railways are indispensable in both times of peace and of war. They are the only dependable means of transport for all commodities in all seasons, to all places served by them. Upon such service many communities and production centres are entirely dependent, likewise public necessity and convenience, and our national economy must rely upon this authoritatively regulated and guaranteed

service to meet all transportation needs.

Because of the character and need for such service, our railways must be maintained, controlled and protected against unregulated transport agencies which now operate over parallel routes.

We submit it is absurd to suggest that our railways can survive such inequitable unregulated competition, much less maintain and improve their service. Likewise to suggest that the railways can meet such competition by individual or co-operative economies, while competitors pick and choose the more convenient and profitable traffic, without any effective regulation or control, is but an evasion of this national problem..

The need for uniform regulations and control by a central authority of all transport agencies rendering service for hire must be recognized in order to eliminate inequitable destructive competition, not only within the railways, but within the highway transport agencies themselves. By no other means can each form of transport be allocated to the sphere to which it can best serve its purpose and be assured of economic stability which is necessary to guarantee efficient and responsible service -- with the cost being fairly divided among those who benefit by such service.

* The volume of passengers, express and freight now moved in the Dominion, exclusive of carload lots, as compared with that handled when the Board of Transport Commissioners for Canada was instituted by legislative authority, will, we suggest, clearly indicate that it is essential to the public interest that uniform and effective regulation and control be now applied to all forms of transportation for hire, including that on the highways.

Should present conditions continue without corrective action, the growth of unregulated highway transport for hire will cause even greater concern. The solvency of our railways and of highway transport agencies with large investments is threatened. The Canadian citizen must expect less reliable service and, as a taxpayer, be called upon to pay deficits of railways, expense of highways, and indirectly contribute to the producers of automotive equipment, gasoline and oil, entirely disproportionate to his transportation needs.

The "Report of the Royal Commission to inquire into Railways and Transportation in Canada 1931-32" visualized the effect on our railways of unregulated competition by highway transport. Paragraph 34, Appendix II "Motor Vehicles Operating on Highways" (Page 101) of such Report reads in part as follows:

". . . unless their operations are being conducted on an unsound basis of cost and will therefore decline, or unless some form of restriction and limitation of their activities is brought about by competent authorities, a progressively increasing loss will be experienced by the railways in the future which cannot fail to have a damaging effect on earnings."

Paragraphs 46 and 47 of Appendix II (Page 103) read as follows:

"46. Thirdly, there is a growing realization that conditions of operation must be equalized as far as possible between the railway and the truck. The truck cannot replace

"the railway and it must not be allowed to completely strangle its competitor and leave the country without an essential transport service."

"47. It is only in the last of these reasons for regulative and restrictive action that the railways have any direct interest. As provincial taxpayers the railways might well join with other property owners in pointing out that expenditures to provide permanent roadways for the commercial operation of carrying goods in direct competition with existing carriers, travelling on their own right of way, built and maintained at their own cost, is unjustifiable, and that a halt in the program of construction of hard surfaced roads is advisable."

The following is a relevant excerpt from Chapter II, Section D, Book II "Recommendations" of the Report of the Royal Commission on Dominion-Provincial Relations (1940) (Page 208):

"The present division of powers may easily lead to chaos, unless the policies of the Dominion and the provinces can be co-ordinated. But, given a disposition on the part of the various governments to co-ordinate their controls over transportation and their financial aid, so as to leave to each type of transport a chance to perform on remunerative terms those classes of service which it is best adapted to perform, the Canadian transportation problem may not be insoluble."

Section G "Abstract of Leading Recommendations" of Book II contains the following (Page 275):

"The Commission has come to consider the transportation problem of Canada one of the problems which cannot be solved without close collaboration between the Dominion and the provinces. It realizes, however, that its own technical competence is slight

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in this field and has, therefore, confined itself to discussing the issues which will have to be faced, in the hope of doing something to clarify the problem of jurisdiction. It points out, however, the great advantage which might be derived from a Transport Planning Commission which would be concerned both with planning transportation developments in a broad way, and with facilitating the co-operation between the Dominion and the provinces in transportation matters which is necessary for the taxpayer."

Throughout all studies and recommendations by former Commissions and Conferences runs the recognition of the need for uniform regulation and control. Concurrent with such expressed thought is the realization and recognition of the existing division of legislative competence between Dominion parliament and provincial legislatures. Failure of such respective governments to heed the plea of citizens they both represent, for co-operative remedial action, has allowed this national problem to become a serious menace.

We recognize the growth of investments now involved, and the extent of the established practice. There cannot be any completely corrective measure applied immediately. We submit, however, that by cooperative action of governments practical plans can be established and applied with judicious graduation, which will eventually provide a sound "National Transportation Policy."

In consideration of a proper basis for such a policy we offer the following principles for your consideration:

1. That early steps be taken to adjust any constitutional questions which may be involved in reaching a basis from which to formulate uniform regulations governing

motor vehicles on the highways throughout Canada.

2. That early consideration be given to the desirability of constituting a board, committee or commission to carry on a continuous study of the ever-changing transportation problem with the primary object of conserving and protecting the human element involved; also to consider appropriate measures to safeguard, as far as may be practicable, the interests of all concerned.

3. That all buses and trucks operating within Canada be placed under the control, administration and supervision of a transport commission (with like powers of the Board of Transport Commissioners for Canada) requiring operation under conditions similar to those imposed upon the railways, especially with regard to the fixing of rates, tariff charges, accommodation and facilities for passengers and shippers, etc.

4. That immediate measures be taken for the elimination of destructive competition caused by duplicating highway services; the classified licensing of all commercial vehicles within prescribed areas; restrictions against the discontinuance of any licensed highway services without giving public notice and subject also to the approval of competent authority.

5. That all common carriers using the highways for revenue purposes be taxed on a basis commensurate with the use they make of the highways, having due regard to the costs of construction and maintenance, including interest on bonded indebtedness.

6. That owners be required to furnish guarantee of sufficient financial responsibility to ensure the payment of any claims for damages which may be legally assessed against them.

7. That no bus or truck be permitted to operate on the highway for revenue purposes where adequate trans-

portation facilities already exist, or where the steam railways can and are willing to provide these facilities.

8. That in the interest of safety, operators of all motor vehicles be required to pass a qualifying physical examination, particularly regarding visual acuity, colour perception and hearing; also that restrictive measures be enacted to prevent excessive hours on duty of all operators of motor vehicles.

9. That commercial motor vehicles be restricted to a reasonable maximum tonnage, limited to the hauling of but one trailer and also restricted the standard width of construction to be fixed by competent authority.

10. That uniform legislation be enacted to ensure reasonable standards in regard to working conditions, including wages and hours of labour in highway motor vehicle operation; also safe and modern equipment for all such vehicles, together with adequate periodic inspection thereof.

PART II

These organizations are vitally concerned in the matter of freight rates and railway tariffs generally, because of its impact on the wages and working conditions of the employees. The necessity for the expression of our views in this connection arises from the fact that the allegation of inadequate tariffs frequently made by the railways has profoundly affected wages and conditions. In negotiations on these matters, and hearings before the tribunals established to deal with them, such as the former War Labour Board and Boards of Conciliation, the railways have always alleged, as a major reason for their inability to meet the employees' demands, inadequacy and unfairness of the various charges they are permitted to make to the public.

It is quite evident that the pleas of the railways in this respect have carried much weight with the bodies which have dealt with differences between them and the organizations representing their employees, and have been a main factor militating against establishment of the conditions and rates of pay sought by the employees.

For several years there has been intense dissatisfaction on the part of the employees because of the wide disparity which has existed between their wage rates and those in effect on United States railways. In this connection, a highly relevant circumstance is that during the period 1918-1922, whatever may have been the relative United States-Canadian economies, practically the same wages and working conditions obtained on the railways in both countries.

In the many wage proceedings there have been between the railways and these organizations, during the past two decades, wage history has generally been measured from 1918-1922. During that period, as we have said, wage rates and working conditions of railway employees in Canada had developed generally on similar lines to those of railway employees on the United States. The subsequent divergence was felt to be unjustified, because of the similarity of the duties performed by the employees in both countries and the similarity of operation. At the present time wage rates on Canadian railways can be said to be approximately 20 cents to 25 cents per hour below those in effect on United States railways, there being some variation as between classifications.

Moreover, on September 1, 1949, the so-called "non-operating" employees on United States roads go on a five-day week, with compensation adjusted to maintain "take home pay".

The term "high and satisfactory" standards of wages and conditions connotes in the minds of the employees parity with those in effect on United States railways.

We state with all possible emphasis that there cannot be full satisfaction of the employees' views and demands until the Canadian-United States parity is restored.

The extent to which the question of tariffs - Canadian and United States - has entered into wage considerations here is reflected by the many references thereto and the particular emphasis placed thereon by the railways in their submissions to the several tribunals which have dealt with railway wages in Canada from time to time. These are voluminous indeed, but we think it will serve our purpose to confine our illustration to the reference contained in the "Statement of the Railways" submitted to a Conciliation Board in 1948 - the most recent wage proceedings on the railways in Canada; in which, it may be stated, the employees failed to secure restoration of the former Canadian-United States parity.

In their "Statement" the railways outlined in great detail and length the different treatment accorded to them in the matter of tariffs, from 1918, to that accorded to United States carriers by the Interstate Commerce Commission over the same period. Inasmuch as this Royal Commission on Transportation will have general knowledge of this condition, which will no doubt be presented by the railways themselves, we do not deem it necessary to quote specifically from the railways' voluminous references in the wage case. Suffice to say that the findings of the Conciliation Board reflected an appreciation of the railways' alleged disadvantageous position to that of United States railways, in relation to the matter of tariffs.

We contend, therefore, that wage rates, and to some extent working conditions, on Canadian railways, have been influenced and conditioned in large measure by the basic factor of tariffs, to the prejudice of the employees.

Railways are a public utility - afford a national service - play a most important part in national development, and the burden of maintaining them should not fall disproportionately upon the employees.

These organizations have never ventured the opinion that existing freight and passenger rates are insufficient to enable the railways to operate efficiently, pay adequate wages, maintain good working conditions for their employees, and pay an adequate return on invested capital. We do not do so now. The decision of what tariff rates should be charged is vested in the regulatory agencies by statute. But we do say that maintenance of high and satisfactory standards of wages and working conditions is a prerequisite to efficient operation of this national and vital industry, and there is a concomittant obligation on the part of the regulatory agencies, to establish such tariffs and earning potentialities as will enable the industry to meet its responsibilities to the employees.

These organizations, therefore, will continue in their refusal to accept pleas by the railways of inadequate tariffs as rendering them unable to meet the just and reasonable demands of their employees relative to wage rates and working conditions.

PART III

Railway Act - Amendments.

Because of the experience and direct interest of the large number of railway employees we represent we desire to present for your consideration and recommendation proposed amendments to the Railway Act which we believe long over-due.

(1) Section 179 - Partial Abandonment Compensation to Employees for Loss Caused Them.

This Section governs the removal, closing, or abandonment

of any station or divisional point and the compensation to employees as deemed proper by the Board of Transport Commissioners for Canada for financial loss caused to them by change of residence necessitated thereby.

Experience reveals cases where divisional points have to all intents and purposes been abandoned requiring numerous employees to move and sacrifice their resident property, but the railway, by leaving a minute fraction of the terminal facilities and employees, has successfully contended that the abandonment and protection afforded by Section 179 did not apply.

We urge your recommendation of an amendment that might take the form of a subsection to be added to Section 179 to read:

"Whenever the company partially abandons or partially closes any station or divisional point involving the removal of employees resident at such station or divisional point, the Board shall have power to conduct a hearing upon request of the representative or representatives of such employees and to order the company to compensate the employees as the Board deems proper for any financial loss caused to them by change of residence necessitated thereby."

(2) Section 250 - Headway over Cars, Space above Rail, and Safe Standard of Clearance.

Obviously this Section recognizes the need for safe clearance between rolling stock and overhead structures. It is designed to protect vertical clearance. Subsection (1) clearly provides for seven (7) feet clear headway above the top of the highest car in use on the railway. Subsection (3) provides for space between rail level and overhead structures of twenty-two feet six inches (22' 6").

"Rail level" has been interpreted to mean the base of the rail and not the face upon which the car must stand. The increased dimensions of modern rail and cars have made the provisions of Subsections (1) and (3) difficult to reconcile. Subsection (5) refers to exception of structures under which no trains, except such as are equipped with air brakes, are run. That language is a recognition of the hazards caused our men operating hand brakes. However, it does not indicate knowledge of the fact that our men are frequently required to ride the top of train under such structures in daylight and darkness in all weather conditions to operate air brake retainers, give signals, and, in some cases, for no good reason but to comply with an antiquated rule made by the railway.

Unfortunately Section 250 fails to protect against restricted side clearance which has created hazards of even greater importance because of the much more numerous cases to be found. It is true that the Board of Transport Commissioners for Canada has issued General Order No.345 that prescribes certain side clearance measurements for structures and track centre measurements for certain tracks laid and not re-arranged since January 1, 1922. It will be found, however, that with few exceptions, the tracks principally used in railway terminal yards and many industrial tracks have not been re-arranged since the effective date of that Order and provide less than the clearance required thereby. The use of modern rolling stock of greatly increased dimensions on such antiquated tracks causes a serious growing hazard to our men. We have not yet found authority for the correction of side clearances recognized by all as a hazard. Those conditions are not covered by Section 250 of the Railway Act, nor are they covered by General Order No.345 of the Board laid unless subsequent to January 1, 1922.

We urge that your Commission recommend that corrective measures be found and applied at the earliest possible date looking to the removal of obstructions and spacing of tracks to provide safe clearance. For such purpose we ask that you recommend that Section 250 of the Railway Act be amended to provide:

1. A safe side clearance appropriate to the use of equipment of present and anticipated dimensions, in addition to vertical clearance now prescribed by Subsection (1).
2. That Subsections (3) and (5) be amended to conform with Subsection (1).
3. Requirements that any new construction or rearrangement of tracks or alteration of buildings conform with the clearance standards prescribed by Subsection (1) as proposed to be amended.
4. Requirement that there be undertaken the early rearrangement of parallel tracks, and such practicable alteration of structures, with special reference to general switching and terminal yards of railways, that will provide safe clearances.

5. That men be not required to ride the tops or sides of rolling stock in areas adjacent to such restricted clearance as may be found impracticable of correction.

(3) Section 267 - Signboards at Level Crossings.

The special interest of our men in the protection of level crossings requires no explanation. Experience prompts the suggestion that prominently reflectorized signboards should be placed on both sides of the crossing. We therefore urge that Section 267 and Section 404 be amended to afford such added protection.

It is ^{un}reasonable to presume that traffic will all approach a crossing from one side and the number of accidents in which motorists hit trains must be evidence of

the need for an unobscured reflectorized warning sign on either side of the track.

There are now available reflector buttons or a treated fabric known as "Scotchlite" which we believe could be easily applied and of great value as a warning device.

(6953 follows)

THE WITNESS: Mr. Chairman, I perhaps should apologize for having prepared or having read a brief prepared with so brief explanations as we have in connection with the Railway Act Amendment. I want to leave this thought with you, that we have dealt with the Board of Transport Commissioners seeking to effect some remedies of places where clearance is a real hazard. We find that the Board are somewhat restricted and, believing that your Commission brings within your sphere consideration of the Railway Act Amendment, we have referred to certain sections of the Act involving clearance which I think a study of will merit consideration of the points we make.

MR. COVERT: Mr. Kelly, there are a few questions I would like to ask in order to clear up a few points in the brief. Would you turn to page 3 where you suggest that the "the allocation of each type to the service for which it is most capable"? That is the very top paragraph.

MR. HUME: Mr. Chairman, may I explain that the copies that seem to have been supplied are copies that do not conform to the page number and before Mr. Covert goes on with this question I would like to find just where it is.

MR. COVERT: It is in Part I and it is the first paragraph in Part I: "but deplore the lack of regulations and control which would allocate each type to the service for which it is most capable." Now that implies that regulation and control would allocate each type to the service for which it was most capable and I wanted to know if your body had any suggestions as to how this would be done. For example, would it be proposed that trucks be confined to short hauls?

A. If I may answer this, we see no justification for highway transport in long hauls identically parallelling the railroad. For example, the railways give service from the time a store-shed closes in Toronto or Montreal and they give a delivery on the opening of the business next morning at the office. We say that the railway is best able to meet that service and that type of service should not be allocated to the highway. Now then, we find that there are other points and places where we recognize that highway transport gives the service to the people which the people demand and we believe that some regulating authority, considering all of the licences or the services or applications that are received, should have regard for what the truck could best serve and what the railway could best serve and they should not permit them to run in unregulated competition.

Q. Then that body would have to decide as to what each individual service could best do. Under your proposal, the regulatory body would for instance have to determine what really constituted an economic haul, we will say, for trucks. Is that correct?

A. In my view, sir, that body should give consideration first to the needs of the people, next to what facility could best meet those needs with economic security to themselves because without that no service can be guaranteed.

Q. What I wanted to do, Mr. Kelly, was to try to clarify in my mind just how far that body would have to go and if you perhaps consider some of those implications I suggest that it may mean that they would have on their hands a problem such as this. The public might think that they wanted a trucking service, we will say, for a

distance of 150 miles and an application might be made to that body for a permit or certificate. Now they might have to determine whether or not that was an economic haul under these phrases of yours and the "allocation of each type to the service for which it is most capable" and I wanted to find out if you had considered that point as to whether or not that body might not have to determine whether a truck could economically haul a distance of that length?

A. I should think, sir, that would be one of the points to be considered.

Q. There would be many more?

A. Now the licensing authority. As I understand the present situation, your highway carrier must apply for a licence. Now, it is our thought that the licensing authority should not only consider how many highway carriers are involved there at the moment; he should consider whether or not the railway can give a better service in that field than is given by the highway, a more economical service. He would have to consider all angles. At present (we may be wrong in our view) but our understanding is that the only consideration generally given by these Provincial Commissions and Licensing Authorities is to one or another of the highway carriers without giving serious consideration to a railway that operates parallel with the highway.

THE CHAIRMAN: Q. We heard differently in British Columbia. We heard there of cases where the Licensing Boards had refused to licence truck carriers because the railway was already giving proper service.

A. Well, sir, Mr. Chairman, when we make a trip on No. 2 highway between Toronto and Montreal and we find the great number of highway carriers operating

parallel with two or even three main lines of railway, we must feel that in some sections at least very little consideration is given to the capability of the railway to run that service.

Q. I must say that this British Columbia case is the only one that I know of where those principles were followed.

MR. COVERT: That is to say, Mr. Kelly, there are different regulations in different provinces. My understanding is that you say that when an application is made for a trucking licence, the first thing is to be necessity and convenience?

A. Right.

Q. But what I am wondering is that in the case where you suggest there should be an allocation "would allocate each type to the service for which it is most capable", now I want to find out whether you go so far as to say that the controlling body should say or may not eventually have to say "Now that distance is too great for a truck." Do you contemplate something like that?

A. What we had in mind (and this is not a new thought; we have submitted it to Provincial Governments and various bodies from time to time) -- what we have in mind is that the Licensing Authority should give consideration to, first, public necessity and convenience. They should give at least equal consideration to the railways and their competency to serve as they do to one or another of the truck routes that may be in that territory. What we had in mind is that the truck has no place in long haul service in direct competition working parallel with the railway. They could be relegated to better serve the people as feeders to points

not served by the railways.

Q. Now if they do not compete with the railways, then you have no objection to their long haul. Is that correct?

A. We think that an analysis of the transportation system including your railway and highway will show conclusively that the railways can handle long haul traffic with greater satisfaction and more economically than can the truck.

Q. Now is it a fair question to ask you, Mr. Kelly, to say what you consider is a "long haul" -- that is roughly in terms of miles?

A. Well, the terms in which we generally think of these things must be related to the service that is there. Take from where we said a moment ago, Toronto to Montreal or Toronto to Ottawa. We see no justification for that. Now you might have a section quite a number of miles not served by railways, so that we cannot measure in miles the location as between long and short hauls.

Q. Now can I ask you this, Mr. Kelly? How far is it from Toronto to Montreal?

A. Three hundred and thirty-five miles.

THE CHAIRMAN: Q. How many miles?

A. I think it is three hundred and thirty-five; I am speaking from memory.

MR. COVERT: It is somewhere around three hundred and thirty-five miles. Now, do I understand you to say that you see no reason for trucks competing with railways for that distance at all?

A. Not where you have practically three main lines of railways prepared and ready and do give you a morning delivery of shipments that are placed at

6 o'clock at night and are placed for morning delivery at the opening of business next morning in Montreal.

Q. Then such a body as you suggest, a regulatory and controlling body, would say in your view "Well now, Toronto and Montreal are well served by railways and there will be no trucking licences granted to highway carriers between Toronto and Montreal"?

A. Through traffic.

Q. That would be your idea of what such a regulatory body would do?

THE CHAIRMAN: I understand that trucks run by night as well as trains between Toronto and Montreal?

A. They do, sir. You will find a truck operating in that section pretty well all of the twenty-four hours.

MR. COVERT: Q. Now I suppose, Mr. Kelly, it would depend largely on the commodity that was hauled and, for instance, whether or not perhaps the service was a door-to-door service. Perhaps I can give you an example of this again. Say someone in Toronto was transferred to Montreal and they wanted to move their household furniture by one of those big moving vans that come in and take the furniture from the house, put it in the van, put it in the house in Montreal, and actually set it up. Now I suppose there would be some justification for a service of that kind?

A. I recognize that the truck has built this type of service. A man backs up to your door with a truck; he don't ask you to crate it and he sets it in and even sets it in the room where you desire the furniture placed if you so advise him. I realize the truck has built a service of that kind that people are going to demand and there just is not anything that anybody can or should do about it.

Q. In other words, such a regulatory body would have to take matters of that kind into consideration?

A. That is correct. If I may show the other picture to that, we see no reason why there should be permitted to truck say canned goods or ordinary merchandise from long distances between points that are served by railroads with equal service and convenience to all concerned.

Q. Well, Mr. Kelly, would you think that perhaps the length of haul of trucks is increasing the economic length of haul? Perhaps, Mr. Kelly, I should not be asking you these questions. If you do not feel you are qualified to answer them in any way, just let me know. I just wanted to get your views on them.

A. My only answer, and I do not profess to be competent to judge what is the cost of truck operations in proportion to rates, but I would say this; we have trains that leave Toronto every evening on both railroads that will handle up to 3,000 tons and they will berth that at the shed for delivery the next morning. Now we must maintain that service, not for the l.c.l. or local service that we have, the less than carload service, we must maintain it to handle commodities that the truck cannot possibly handle. We have several of those trains that operate daily. I will leave it to anyone's imagination as to how many trucks it would require to handle the tonnage handled by those trains. Now we say that you should not permit a truck to parallel that route handling the preferred class of traffic and the most profitable class of traffic when we must have a train to handle what the truck cannot possibly handle.

Q. So you say they must be regulated in order to

protect the railway so that they can carry that so-called low grade traffic which the trucks cannot possibly carry.

A. It is all carried on the one train.

Q. Now had you considered, Mr. Kelly, the possibility that if you did regulate trucks that you would have to also regulate trucks that were "not for hire trucks", that is the company owning its own trucks and carrying merchandise? Otherwise, if you simply regulated trucks, that is "for hire trucks", there would be a possibility that they might go out of business but may drive some businesses and firms into ownership of their own trucks?

A. I do not think that any individual or any group should say to a man in business that he cannot operate his own trucks for his own business. When we talk about transportation for hire we advocate that all forms of transportation for hire should be regulated.

Q. Then it is "for hire trucks" that you are confining your remarks to?

A. Yes.

Q. What I was suggesting to you was that presumably you feel that proper control and regulation would either raise the prices the trucks charged or limit their business and thus add more business to the railways?

A. That is proper.

Q. That is proper?

A. Yes.

Q. Then what I am suggesting is that from that might follow that people might go into a greater truck ownership. If they cannot get the service by trucks for hire, they may go into business themselves on hauling their own goods to a greater extent than they

do now with the result that regulation merely of "for hire trucking" might not bring to you the desired effect you have in mind?

A. I think the answer to that, sir, is that we have a situation today that has been growing and was recognized by a comparable Commission in 1931 and 1932 as being unregulated competition that should be corrected. Now if we correct the "for hire truck", if we correct the transportation for hire and give them all a more even break, considering always the public necessity and the convenience, I don't think we should be too much interested in restricting or attempting to restrict the manufacture or business or whatever it may be that wants to haul his own product. I think that is something that is beyond us at the moment. We have a bigger job now before us.

Q. Thank you very much, Mr. Kelly. Now there is another point I want to discuss with you and that is that some of the provinces argue that the central provinces, that is Ontario and Quebec, benefit by the lack of regulation of trucks because this keeps the railway rates down and ensures competition and lower prices for haulage and that this is of great benefit to the consumer. Would you care to express any views on that?

A. I do not know that I quite understand you.

Q. Well, let me put it another way, Mr. Kelly. Supposing you take Ontario where it is alleged there is a great deal of truck competition. They say that that compels the railway to keep its rates down so that either the shipper by rail or by truck has the advantage of these low rates and that is advantageous to the consumer because he pays less for what he uses. Now a place like Alberta

where there is not so much truck competition and the railway rates are alleged to be high and it is alleged that the consumer pays the freight both ways, he is at a tremendous disadvantage so you should allow unrestricted competition to force rates down.

(Page 6970 follows)

A. I think this is a fair answer. We are all citizens of Canada. We are all under the present system. If the railways are an absolute necessity - and we all recognize that - one of our railways is owned by the people of Canada and has run into operating deficits. We should not condone or encourage or permit one section of the country to capitalize on unregulated transport for hire to the detriment of the railway and to the taxpayer of the country, who makes up the deficit incurred by the railway. These deficits are paid out of a fund that is used to build the roadways on which the truck operates. A small section of the people may benefit by cheaper truck rate which, under such circumstances, are being subsidized by the taxpayers in the country who do not benefit by that.

Q. On the same page, fourth paragraph, it says: "The present rather rigid control and regulation imposed upon our railways, while highway transport (in direct competition for the more preferable and profitable shipment of selected commodities) lacks uniform or comparable control."

The fourth point is whether or not there is any suggestion implied in that phrase: "rather rigid"; whether you thought they were too rigid?

A. I should have left the word "rather" out. My point is that under the regulations of the Board of Transport Commissioners there is a rigid control of railway practice, rates and tariffs. That does not exist in the trucking business.

Q. You are making this as a comparison; you are not suggesting that the control is too rigid?

A. No.

Q. Turn to page 4 of your brief in the paragraph

which begins:

"Because of the character and need for such service, our railways must be maintained, controlled, and protected against unregulated transport agencies which now operate over parallel routes."

Now I think perhaps you clarified that and have given us your views, but there is one possibility which occurred to me and that is that, it is argued at least, that trucking has progressed very rapidly; it is something the people demand and we cannot stop progress; and that perhaps the railways must, so to speak, pull in their horns and give way to something that is more modern. Would you care to express an opinion on that view?

A. Well I think we must all admit, and we do admit, that the truck has its place. It has gained a place by its service and public demand. At the same time there are many, many commodities that must be handled and transported that the truck cannot handle. Therefore we must maintain a railway and in doing so we say that consideration should be given to regulating that so that at least it will afford some protection for the railway against the disadvantage of unregulated competitors.

Q. In effect you say if you regulate one you should regulate the other?

A. Yes, possibly not identical regulation, but regulation comparable and practicable of regulation.

Q. Would you turn to page 7, the first complete paragraph following the quotation. It seems to me you recognize the existing division of legislative jurisdiction and you suggest that co-operative or remedial action is the answer.

Now would your body be satisfied with provincial

boards as long as they were acting, say, under uniform regulation or does your organization suggest that it should be done by Dominion regulation?

A. We have in the past requested various Provincial Governments to endeavour to set up their own control; but we believe that when that is done there should be a central body somewhere for consultation so that we would not have one thing across a river and another thing in Ontario. That would be in such a conflict as to ruin the possibility or advantage of control. We recognize the right of the provinces to jurisdiction they now have. We have evidence that during the war certain restrictions were imposed as War measures by way of control, those could have been extended and carried on into the later years perhaps, but we find that the central government would have not the authority to do that. Now the next thing we hope for is a combined body of the various provinces and the federal government to sit down and work out some plan; we say a committee or a commission to plan.

Q. Do you think it necessary that the same body should control and regulate all forms of transportation? Would it have to be under one body like the Board of Transport Commissioners? Is it feasible that they should be regulative separately?

A. I do not suggest for a moment that any one board like the Board of Transport Commissioners would be competent without broadening their field beyond all reason to take in everything but I do think that in any regulative bodies that are set up, there should be co-ordination of thought and action and consideration of these things.

THE CHAIRMAN: I think you use the word "central authority" on page 4?

A. The reason we use that is that we have been trying for years to try and weld the provinces together. We thought the only way it could be done was for --

THE CHAIRMAN: On page 4 you point out the need for uniform regulation and control by a central authority of all transport agencies rendering service for hire. That is railways, trucks, etc.

A. Yes.

THE CHAIRMAN: The most desirable thing in your opinion would be one central authority covering trucks as well as everything else?

A. That is our belief.

(Page 6976 follows)

MR COVERT: Q. Now, on page 8, paragraph (4), you say:

"That immediate measures be taken for the elimination of destructive competition caused by duplicating highway services".

By that are you referring to highway services duplicating railway services, or are you simply referring to destructive competition within the trucking field itself?

A. Our chief thought was the duplication of railway and highway, although we have had instances made known to us where duplication of highway services had reached the point where it almost suggested that the only interest the licensing authority had was selling licences, which left the highway carriers themselves in a most unenviable position, because of duplication where there was not sufficient traffic to warrant it.

Q. I was wondering, Mr. Kelly, if that was in recent times, or if perhaps you were thinking of the time when the Chevrier Commission sat; is that the situation to-day in any part of the country that you know of?

A. Not to the same extent, I don't think, because I think they have tightened it.

Q. Now, do you think, for instance, that if there was duplication of railway services for instance between the two great railways, that duplication should be eliminated?

A. That is a question, sir, that was handled by the Committee of the Senate some years ago, and one of them advocated the elimination of unification of both railways and what have you, and I think you will find from 1939 on that it was a blessing that that thought did not prevail, because there was a need, and the railways were taxed almost to their capacity to meet it.

Another thought in this: When we see two lines of

railway running parallel with one another we immediately say, why the two? But we may find that within a comparatively short distance from either end of the points where they parallel, as railway mileage goes, they serve entirely different sections of the country, and they move fairly close together to a point where they branch out to serve their various sections.

Q. Mr. Kelly, I take it what you are suggesting is to-day that there really is no duplication of railway services?

A. I would not say that, sir, because you have it---

Q. Then may I put it to you this way: I simply ask the question, if there was duplication of railway services, I ask you should it be eliminated?

A. Well, you have a duplication of service between Ottawa and Montreal; they are both apparently remunerative, because the service has stood, and they are serving the people.

Q. Then, Mr. Kelly, may I ask you this: if both services pay, if they are remunerative, then you say that that does not constitute the type of duplication that you are worried about here?

A. In this brief what I am worried about, as you put it, sir, is the thought that we have a duplication of service; one is regulated, the other is not regulated.

Q. It is the question of regulation. Now, I understood from paragraph (4) -- I will read it; it says:

"That immediate measures be taken for the elimination of destructive competition caused by duplicating highway services".

You say that that would be something that regulation perhaps would and should do; it would eliminate duplication of services. Duplication of services, of highway services, is

what you are talking about there. I take it you think that is a bad thing; I think you suggest perhaps it is because it is unregulated, but it is the duplication, and I suppose therefore the wastefulness of it, you object to?

A. What we object to here is a duplication of unregulated highway service, with a regulated railway service, which makes destructive, unfair competition.

Q. Supposing, sir, the highway service was regulated, but there was still duplication and still wasteful duplication, then the regulation would be no good, I take it?

A. I assume that the regulation would prevent just that.

Q. In other words, what you do want to prevent is wasteful duplication of service? .

A. And duplication which leads to unfair competition.

Q. Now, supposing, as I say, there is duplication of railway, and supposing it leads to unfair competition, should that be treated in the same manner? That is all I want to know.

A. That is right.

Q. It should?

A. Yes.

Q. But when you answered the question before you intimated that the Senate had looked into this, and I gathered that you also suggested that it was a good thing that duplication of railway lines had not been eliminated, because it was needed during the last war?

A. Surely.

Q. And I just wanted to go on from that and suggest that perhaps conditions have changed a great deal since say in the early thirties, and perhaps what was considered a duplication then might not be considered a duplication

now?

A. When we speak of duplication of highway service and speak of correcting it, and speak of duplication of railway service and correcting it, we must always bear in mind, I think, that you can take a truck off the highway or put one on at will, but if you tear up several thousand miles of railway and you need them in six months from now, they are lost to you, and you cannot regulate it.

Q. Yes; in other words, it is much easier to tackle duplication of highway service than it is duplication of rail service?

A. That is true.

Q. You might be cutting off your nose to spite your face if you eliminated the duplicate railways?

A. You might find yourself in serious trouble that could not be anticipated at the time the action was taken.

Q. But you do feel that, apart from considerations of that kind, duplication of railway service should be treated in the same way as duplication of highway service?

A. I do not think anyone could argue otherwise.

Q. Now, Mr. Kelly, in paragraph (5) on that same page 8 you suggest that all common carriers using the highways should be taxed so that they pay their fair share of the cost of construction and maintenance of highways, including interest on bonded indebtedness. Now, I believe that it has been argued that they do pay their way by licence fees and gasoline tax and so on. There are figures, I believe, that indicate that in some years they have more than paid their way---

MR SINCLAIR: Who argues that?

MR. O'DONNELL: There are arguments the other way also.

MR. COVERT: I am coming to that. I have seen the argument, and I will furnish the source; I haven't it with me, but I have it. It indicated that in several provinces in Canada they had more than paid their way in some years, and that on the average they paid I think the figure was somewhere around 76 per cent of their way.

Q. Now, I was wondering if your Association or your organization had collected any figures showing that they are not paying their way now?

A. To attempt to collect figures for it would necessitate compiling figures for each province -- the registration, the road mileage, the costs and all the rest of it.

Q. All I asked, Mr. Kelly, was whether you had any figures.

A. I could give you one example of it where a firm entitled the International Highway Forwarders operated quite a fleet of large diesel trucks between the Windsor gateway and the Niagara gateway, and for a time, until the matter was corrected by the Province of Ontario and the Federal Government, they paid one dollar per truck for hauling what was supposed to be war material, and then after the war material was out and the order in council, the War Measures Act, finished, they endeavoured to have the right to so operate continuously, but there was a very nominal fee, and I understand that the Department of the Provincial Government in Ontario have corrected that and indicated to them that if they were to continue that service at all it would be on the basis of the full fee per truck. We were really happy to learn that that ended that particular service. They

certainly were not paying a fair proportion of the cost.

Q. I suppose, Mr. Kelly, you have perhaps read some of the literature on that. I understand that there are a great many arguments both ways, for instance as to what portion the trucks should pay, what portion the ordinary pleasure driver should pay, and what portion should be paid by the community as a whole on account of the so-called social use -- for instance, you walk out of your house, and it is a means of just getting somewhere; you may not use a car at all; but there is grave difficulty, I suppose -- you recognize that -- in determining what proportion would be paid by trucks?

A. That is true, sir, but surely, with an authority that had the mileage that these trucks operate, or could obtain an authentic record of the mileage they operate and their weight and their average load, surely an authority that had that data could arrive at a very fair solution as to what the tariff charges should be and what proportion of the cost they were paying.

Q. I believe that has been tried on a good many occasions, Mr. Kelly. Now, your suggestion is that that should be done in each province; is that correct?

A. Well, I am not statistically-minded, nor a mathematician, but I would think that would be about the only reasonable approach to a calculation of that kind.

Q. Now, Mr. Kelly, would you turn to the second part of your brief, which commences on page 10. I understand that this was prepared by someone other than yourself, and I do not know whether you are in a position to discuss it or not; if you are not ---

A. It was prepared, sir, by the chairman of the committee representing the same employees, but a committee which deals with negotiation of agreements

governing wages and so on. We included it in here so as to avoid different appearances before your Commission. If there is anything that I can answer I will be glad to try; if I cannot, I will be frank enough to tell you.

Q. I take it that the main argument here is that there is what we call a wide disparity, I guess, between the wages paid in the United States and those paid in Canada, and the argument of your organization is that they should be on a parity, and I think your suggestion is that rates should be adjusted so that they should be enabled to do it; is that correct?

A. That is in general the theme of that section of the brief.

Q. Now, I want to find out whether the purpose of that was to suggest to this Commission whether they should make any recommendations in that regard?

A. My understanding of the situation is simply that employees of Canadian railways doing exactly the same work, some of them engaged in international service operating across the boundary, some of them operating over the same rails with men who are employed by American railways who operate in Canada, that there is no real justification for a difference in wage rates in the two countries.

Q. I understand that, Mr. Kelly. I am not trying to shirk it in any way, but all I am trying to find out is whether or not you are suggesting that this Commission should make any recommendation arising out of this section of the brief. For instance, are you suggesting that this Commission should say that there should be a parity between U.S. and Canadian railway employees?

A. I do not think, sir, that there is any thought

in anyone's mind that this Commission is expected to give an opinion on wage rates. That is not the thought. They are merely trying to draw the attention of the Commission to the fact that when the employees attempt to negotiate an agreement for improved wage rates they are invariably met by the statement by the railways that our tariff charges, the charges we are permitted to make, are below those of United States territory, and we say here ---

Q. That that should not be an answer; is that right?

A. Yes. We say here that the employee of the Canadian railways should not bear the burden of deflated rates because the passengers of the railway are not paying sufficient for the service rendered to enable the railway to pay the proper rate of wages.

Q. And you say, then, that if it is necessary to bring the Canadian railwaymen on a parity with the American railwaymen, rates should be raised; is that correct?

A. If it is found that the railways require an increase in tariffs, in rates, payable to them, to pay to their employees wages regarded as proper for the same type of work, then we think the Commission should make recommendations that the railways' rates be raised in proportion.

Q. Now, tell me, Mr. Kelly, does your organization have any views on the large flat or horizontal percentage increases in freight rates?

A. No. We felt, as we have said somewhere in this brief, that we have touched on but a few points, believing that others more competent than we are would lay before the Commission the technical questions such

as the one you now raise.

Q. I did not want to put it on a technical basis at all, Mr. Kelly. I assume that your organization knows that there are seven provinces in Canada who have alleged, for example, that the horizontal increases have had a great effect on them, especially when they are large -- they refer to the 21% increase -- and that in many instances it has been alleged that they could not stand a further horizontal increase, and I was wondering if your organization had given any thought to that matter.

A. Well, they have not.

Q. Now, there is one point I wanted to clarify. You would not suggest, for example, Mr. Kelly, that the Board of Transport Commissioners should in any way enter into wage negotiations?

A. No. We do not feel that such matters can be handled as efficiently or as effectively as they can across the table between employer and employee representatives.

Q. Now, tell me, Mr. Kelly, has your organization given any thought to the judgment that was recently issued in what was known as the 20% case, and perhaps now as the 8% case?

A. All through the question of hearings by the Board of Transport Commissioners on rates these different employee organizations have regarded it as a matter between the public, the railway, and the tribunal charged with the decision in such matters, and we have made no representations and have formed no opinion.

Q. Well, I was just wondering -- in the judgment I think there was a statement; perhaps I should read it to you. They were dealing with the evidence filed by the railways to show the needs, and it says:

"Much stress was laid on the heavy increase in labour costs resulting from the 17 cents an hour increase. The applicants should be reminded that evidence was not furnished to show what portion, if any, of this increase in labour costs was proper and necessary. In my opinion it is neither fair to the payers of freight charges in this country nor sufficient for the purposes of this Board that an applicant state merely that labour costs had increased without clearly indicating to the Board that such increased labour costs were fair, reasonable and indeed necessary."

It goes on further, but I was wondering if that matter had been discussed by your organization.

A. I understand you are reading from the report of the Chairman of the Board of Transport Commissioners?

Q. That is right.

A. His reasons for or his analysis of that?

Q. Yes.

Q. I don't know that there is anything we can say in the matter except that negotiations were carried on and a settlement was reached, and for the honourable gentleman as Chairman of the Board of Transport Commissioners to question whether it was fair or reasonable -- I don't know where that would stop, because the matter had already been disposed of apart entirely from any connection with that tribunal.

Q. All I wanted to find out was, Mr. Kelly, whether the opinion of your organization is that as soon as a railway grants an increase in wages they should be able to go to the Board of Transport Commissioners and say, "This has increased our cost by so

much, and the rates must be raised by so much to take care of that increase" -- is that your view?

A. The railways could, of course, make that statement and argument to the Board, but it would be up to that Board to decide whether or not that argument was proper and right. They might find the railways could have afforded to grant that increase without increasing rates; we do not know.

Q. Now, Mr. Kelly, would you just turn to Part III, on page 14. What I wanted to ask you first, Mr. Kelly, was whether or not there are instances which you have in mind where the railways have taken advantage of Section 179 as it now exists?

A. Big Valley, Alberta, is one instance.

THE CHAIRMAN: Q. What is the place? What is the name?

A. Big Valley.

MR. FRAWLEY: What is the witness saying about Big Valley?

MR. COVERT: Big Valley, Alberta.

MR. FRAWLEY: I know, but what is he saying about it?

MR. COVERT: I don't think he said anything yet.

MR. FRAWLEY: It is two words, B-i-g V-a-l-l-e-y. It is a divisional point on the Canadian National between Edmonton and Calgary.

MR. COVERT: Mr. Frawley is from Alberta. Now you say that is one case. Are there other cases to your knowledge?

A. I cannot quote them to you or cite them.

Q. But it is because of a situation such as that you say the amendment is necessary?

A. Where the regulations say at present in Section 179 "-- with the Board of Transport Commissioners' authority to deal with and to require the railway to compensate employees for loss sustained where they have closed, abandoned, a terminal or closed a terminal necessitating the employee sacrificing his home or moving elsewhere". Now in this particular instance which gave rise to this proposal the railway saw fit to leave a charge-man or one or two of a skeleton staff and I think tied up one train or perhaps two trains there which simply meant that all of the men who had had their homes located at that point and working out of that point would have under 179, had the terminal been abandoned entirely, been entitled to compensation as determined by the Board of Transport Commissioners for the loss of their homes and property which they had had there while working at that terminal. But the fact that one or more trains were left there and one or more employees lived there, the railway contended that the divisional point had not been abandoned and men were denied the compensation which would ordinarily have been awarded to them by the Board of Transport Commissioners because they were required to move away from there. They could no longer work there and those who owned homes, their property was of little or no value because once the terminal was gone there was no sale or rental facilities for the property.

THE CHAIRMAN: Q. Did the case go to the Board?

A. Our files indicate that it went to a hearing and it was decided that it did not come within the competence of the Board under 179 because of the fact that it was not completely abandoned.

COMMISSIONER INNIS: How long ago was that, Mr. Kelly?

A. Can you tell us, Mr. Ward? In the early thirties, I think.

MR. COVERT: Q. It is because of possibilities of that kind that you wish the amendment made?

A. Put it this way, because we had that experience once. We do not want it again if we can help it.

THE CHAIRMAN: Q. How do you think such a thing might be rectified?

A. I propose, my lord, just as we say here on the bottom of page 14 where we propose a form of a subsection to be added to 179 to read -- you have it there, or shall I read it?

Q. Yes, we have it.

MR. COVERT: Q. In other words, what you want to do is to provide for what is not really an abandonment at all but a partial abandonment?

A. We want to protect our men against sharp practices where to all intents and purposes the terminal has been abandoned but somebody has left a watchman there or a dead engine there and so by doing that they have evaded the application of the law.

Q. Now with respect to Section 250, if you will turn to the next page, please, Mr. Kelly. Now you deal with that on pages 15 and 16 and I was wondering first if these matters had been taken up with the Board of Transport Commissioners or the railway.

A. We have now pending before the Board of

Transport Commissioners an application. In fact a hearing is pending because the Board themselves have recognized the need for some corrections and have practically instituted the hearing but have not yet set a date, but we find in Section 250 of the Act some things that are, we think, contradictory and other things that are outmoded in relation to the dimensions of present-day equipment. For example, in 250 they say that "an exception can be made of an overhead structure providing only trains that are operated with air brakes are moved under it". Now that is a relic of the days when men controlled the trains by hand brake. The law has not been changed.

Q. Perhaps, Mr. Kelly, it should be not specifically mentioned, the dimensions like that should not be specifically set out in the statute. Perhaps it should be covered by regulations which should be subject to changing needs?

A. Let me put it this way to show the conflict, as it were. Under one section, in one portion, it says that the height of any structure must at least leave seven feet clear headroom above the height of the highest car in use on the railway. Relative to the same set of circumstances a section of the Act says it must be twenty-two foot six inches above the rail. Now, we would be better off, I think, have greater protection, if you take away the twenty-foot six and still leave us seven foot clear headroom above the highest car in use on the railway because that conflict brings about a situation where cars are being built in increased dimensions from time to time and pretty soon your twenty-two foot six is not going to afford any protection, whereas the seven foot clear headway clearly provides protection. Now

against that we find that the Board under the Act, as we understand it, have the authority to grant exceptions and to except from the application of that part of the Act any certain structures or buildings that are up. Frankly, we have complained to the Board that we believe they are too liberal in the granting of exceptions which nullify the safeguards that are afforded by sections of the Act.

THE CHAIRMAN: Q. Are there cases where there is not a clearance of seven feet?

A. Yes, many of them.

MR. COVERT: Q. Mr. Kelly, are there cases to your knowledge where there have been accidents because of these difficulties that you call defects?

A. If you are not absolutely familiar with the characteristics of the structure and the track and so on or a moment of forgetfulness just simply spells injury--that is all. Frankly, in connection with this if I may make an observation. Connected with Section 250 of the Act it definitely specifies high vertical clearance but it does not give us the protection for side clearance.

THE CHAIRMAN: Q. That is between tracks?

A. Between tracks or between tracks and buildings. Now then, the Board recognized the necessity for clearance and in June of 1921 after public hearings and an exhaustive survey of the necessity for clearance, they decided that certain measurements should apply, certain measurements between tracks to permit space between them for clearance purposes.

Now then, at that time they said, for example, that all of the tracks should be thirteen foot six centres. That, with the dimensions of the average car of that date, would leave three foot clear space between cars on

adjoining tracks. At that time that was regarded as being a reasonable distance for safety but that order did not apply and does not apply to any tracks that are not laid or rearranged after January 1, 1922, and we still have hundreds of tracks across Canada in these main terminals that are less than the standard prescribed by that order.

Q. Because they are old?

A. Because they were laid, sir, prior to January 1, 1922, and have not since been rearranged. Now the situation is aggravated greatly by the fact that they were never made equal to the standard prescribed by the order; they were laid in the days of the smaller equipment and we have tracks in terminal yards where men are working day in and day out as low as eleven foot track centres, many of them twelve and twelve foot one track centres where the order of January 1, 1922, said tracks of that character should be thirteen foot six. Well these, having been laid prior to that date, are beyond the scope of that order.

Q. Could they be relaid?

A. If I may say this, sir, coupled with that is the fact that box cars or cars which were then perhaps nine foot two are now ten foot seven and eight, which makes the difficulty.

Now, we have proposed where these tracks are found, a number of parallel tracks creating this condition on a narrow centre, we have proposed that if necessary you take out the odd track across through the yard and space the others to permit a safe clearance, but we have found with very, very few exceptions that that means some work and the railways have told us that they just cannot spare those tracks. We are hopeful that in the

hearing that the Board are going to conduct (they have advised all concerned but have not yet set the date) -- we are hopeful of producing before the Board evidence of the need for that correction that will go back beyond January 1, 1922, and apply to all such tracks.

Q. Then I find out now from you that the matter is now before the Board and they are about to adjudicate on it?

A. That point of it, sir, but there is nothing in 250 that provides for side clearance as well as overhead clearance.

Q. Well, it is the case of side clearance that the Board is now going to hear?

A. They are.

Q. And you think that the overhead clearance would be better if it was confined simply to the seven feet?

A. Seven foot clear headroom above the highest car in use on the railway.

Q. Regardless of the height of the cars?

A. That would take care of any characteristics in the dimensions of the cars.

MR. COVERT: Q. Just one more question and that is dealing with the proposed amendment to section 267, the one dealing with signboards at level crossings. I just wanted to ask you if your Association had any figures on the number of crossings to which this would apply or any figures as to probable costs?

A. We did not attempt to develop that. We go on the theory that the Railway Act sets up certain provisions for a crossing sign and it must be regarded as a necessary warning. We think it rather absurd that they should expect all the traffic to come from one direction. We think it is of equal importance on either side of the

track and we believe that safety would dictate that some form of reflectorization should be supplied on either side.

COMMISSIONER ANGUS: You said something about the Conciliation Board being adequate for the settling of disputes?

A. I think the Counsel asked if we regarded the Board of Transport Commissioners as a competent Board to consider that.

Q. I think you said something about existing machinery in the form of the Conciliation Board?

MR. COVERT: Q. I asked do you regard that the present practice of conciliatory boards provides satisfactory machinery for the settling of wage disputes?

A. Under the present Canada Industrial Relations Act, as we call it, I can say that the most definite statement to make to you, sir, is that I had opportunities to review that and when it was formed we offered certain suggestions and we advised the Dominion Government through the Minister of Labour that we believed it was a piece of legislation that we could safely accept and apply.

COMMISSIONER INNIS: Q. Was that before the 17 per cent increase was granted?

A. You had almost the same Act prior to that as you have now.

Q. Now the fact that you appealed to the Cabinet for an increase over what the Conciliation Board permitted, did not that suggest that your machinery was not adequate?

A. I would not say that because no labour organization or group regarded that Conciliation Board as an official court. That is not its purpose under the law, as we understand it. It is a means by which labour may apply for redress but labour in Canada has never given up its right to use its economic strength if necessary and has never been asked to do so, but we are asked to go through the procedure of Conciliation Officer and failing adjustment a Conciliation Board who will endeavour to reconcile the differences and labour generally has wholeheartedly subscribed to that and that is what we are asked to do and that is what the law contemplates and we yield in obedience to that law and if we fail we still have the right to strike.

Q. You would regard the possibility of appealing to the Cabinet as very important?

A. It was in appealing to the Cabinet in so far as the adjustment of the wage question was concerned but it is operated through the Conciliation Officer, the Conciliation Board and if that does not bring a settlement the Minister of Labour or the Cabinet might endeavour to bring the parties together further and open a conciliation talk.

Q. That is my point.

MR. COVERT: Q. Then you would carry it a step further. Your point is that even if the Conciliation Board does not work and the Minister does not work and the Cabinet does not work, you still have the strike?

A. Labour in this country has never been asked to give up that right.

Q. I do not think that Dr. Innis was suggesting, Mr. Kelly, that you should. What he was interested in was whether or not there was a procedure under the Act

which you regarded as satisfactory and you have pointed out, I understand, that it is satisfactory, but it is not final and as a matter of fact my understanding is that you say nothing should be final?

A. That is correct.

---The Commission adjourned at 4.30 to meet again tomorrow, Thursday, November 3, 1949, at 10.30 a.m.

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